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# East Europe

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## INTERNATIONAL AFFAIRS

### Hungary Offers To Lease Land to Yugoslavia

91P20294A *Ljubljana DELO in Slovene* 28 Mar 91 p 1

[Article by Ivan Gerencer: "Almost 1,000 Hectares Reportedly Available: Will the Residents of Lendava Sow as Early as Fall?"]

[Text] Lendava, 27 March—The Lenty agricultural cooperative in Hungary has offered to lease to the residents of Lendava several hundred hectares of land on the Hungarian side of the border. The Hungarians are also ready to lend farming equipment and machinery to our farmers and agricultural organizations, and the workers from their cooperatives would also help our farmers. The Hungarians will demand 2,000 to 3,000 Austrian schillings for the lease of one hectare.

According to the agricultural minister of Lendava [as published], the accord should be finalized next month. On the basis of a public notice to be made in the meantime, the community will ascertain the true interest of our farmers and agricultural organizations in leasing and tilling the Hungarian fields. Upon conclusion of the agreement, our farmers would sow grain and produce on the Hungarian side of the border as early as this fall. Of course, the agreement to lease the Hungarian fields is contingent on the consent of the authorities in Slovenia and Hungary and on making arrangements for phytopathological and veterinary services and so forth at the border crossing in Dolga Vas at Lendava.

The Hungarian proposal is certainly interesting for the inhabitants of Lendava. If there are enough people interested in working the Hungarian fields, all other formalities will also be resolved on time. And why do the Hungarians offer to lease the best arable land? The agricultural cooperative in Lenty has 5,200 hectares of land, nearly 1,000 of which it wishes to lease. Due to low prices for agricultural products and the fact that Hungarian farmers do not have their own farming equipment, they are not interested in this kind of cooperation with their own cooperatives but prefer to make a deal with us. If we agree, our farmers will be able to buy the agricultural supplies (fertilizers, pesticides and herbicides, fuel, and seeds) needed for cultivating these leased fields at much lower Hungarian prices. In return, the Hungarians would like to get forestry equipment from us.

## CZECHOSLOVAKIA

### Slovak Journalist Visits Havel at Prague Castle

91CH0451A *Bratislava SLOVENSKY DENNIK*  
in Slovak 14 Mar 91 p 7

[Article by Marta Liptakova: "Hello, Mr. President—An Invitation to Prague Castle"]

[Text] Hundreds and thousands of visitors to Prague come to see Prague Castle, the seat of the past rulers and of the current president. All memorabilia there are on

view; since last year even the gardens have been open. Only at the entrance to the offices of the president of the republic stands a guard. What is inside? Are they cooking up some "mischief" there?

Not to conceal any secrets of the castle rooms, the president had invited journalists to visit his residence. Let them be the first to judge what is going on in the castle.

"When I was elected president," President Vaclav Havel began his talk, "I was terrified by the idea that I would arrive at the castle only to be met by 400 unfamiliar officials inherited from President Husak; I was afraid that I would get completely lost among them. Therefore I persuaded several of my close friends and acquaintances from the OF [Civic Forum] to help me and go to the castle with me. I appointed them to serve as my advisers. Today anyone is assuming the title of 'adviser' and that has given rise to rumors that the castle is full of advisers. That is not so. Currently there are 630 employees in the castle but soon, after the reorganization, their number will be reduced by one hundred. I would not claim that at present everything is in order, and that there are no problems and controversies. Still, we did advance in one year's time. Now this office is neither a fourth government nor a fifth parliament, but a well-running operation."

The president spoke those words in the anteroom to his office which he had furnished according to his own ideas. Although it was designed by the painter Alex Lamr, the concept came from the president. Conservationists must be gnashing their teeth at the sight of the multicolored stripes converging like a rainbow over the entry door, or the colorful fish swimming on white walls that hearken back to the era of Rudolph II. This entry hall is under the command of Bara Stepankova, the president's personal secretary. After Vaclav Havel's election brought him to the castle, he got a scooter so that he could move along the long halls as fast as possible. At that time he asked her to help him out, and Bara has not left the castle since. (She acted in the film "A Thousand-Year Old Bee.")

### Unusual, but Not Luxurious

Full but not crowded, small, but not so tiny that a bookcase could not be placed there—that is the room where the president works. Everything there reminds him of happy or meaningful moments. On the wall is an illuminated map, a present from the United States; an ornately carved little bench from a Jewish temple is a gift from Israel. Facing the entrance is another door behind which we were not admitted. The president confessed that through it he escapes from his duties, visitors and coworkers at moments when he wants to be completely alone. He alone decides when to return. Thus, there is one secret door in the castle after all.

His chancellor, Karel Schwarzenberg, revealed about him that he is much too "nice," which he, Schwarzenberg, regards as a weakness. However, if Havel were not in the castle, he, too, would leave. After all, some time ago he used to work only ten hours a day, now it is up to 16. Nevertheless, he is glad to do it because he sees the purpose of his work, and he is pleased to be of assistance to such a man as Vaclav Havel. The head of the protocol office, Ladislav Kantor, now occupies the room of Gustav Husak's erstwhile government. He takes care of the president's every step, from his correspondence, visits, to his travel and its logistics. His department sets up a strict protocol for every second of a visit—when and with whom to enter, whose hand to shake, even what to wear. Today the president's closet is full of clothes, but on the day of his arrival in the castle all he had at home was one suit, and for the inauguration he got a suit from Karel Schwarzenberg. There was no malice involved, the length of the pants was all right, but Havel had hiked them up a bit more than usual, and by that

### He Caused Quite a Stir

Ladislav Kantor revealed that before he had learned the ropes of his new function (originally he sang with the CK Vocal group), he did commit a few faux pas. During the visit by British Premier Margaret Thatcher there was a six-minute discrepancy with the English program, which was why during the official military inspection the premier stood alone nervously for six minutes while the president was nowhere to be seen. And in the end, what was the solution? Mrs. Thatcher started the inspection by herself, and Havel joined her at an opportune moment. To this day Mr. Kantor remembers that protocol is based on teamwork and punctuality. Well, and never any sooner!

All rooms in the castle are decorated with splendid paintings and various works of art of the past and present. Many of them were donated. However, nowhere did we see any art works from the recent past. The adviser for culture, Petr Oslzly, told us that all such art works were put in storage and not in the attic or in the garbage dump. A cultivated person would not treat in a barbarian fashion even works that do not conform to his notions. That is only right. The president does not look askance even at works by authors of different talents who out of their deep respect send the president his portrait. "Havel in one hundred different versions," that could be the title for the anteroom of Ladislav Kantor, adorned with Havel's portraits, some skillful, others less so, but all of them given with love.

Is Vaclav Havel at all aware of

### What the People Think of Him?

Does he personally read at least one letter? He knows about everything—how well, that depends on the chief of the section. His current slight lag in economic assessments is due to the restructuring of that department. After Richard Wagner's departure no successor has been

found to date. But the president knows quite well what kind of letters are lately coming in, that the people are unhappy and dissatisfied and that they are asking for advice and help. Vera Caslavská, the chief of the sector for culture, sports and health care, briefs the president every week. Also, Martin Butora, who by the way is the only Slovak adviser in the castle and in whose competence are human rights, can testify that the president is interested in people's lives. Soon the castle will get some valuable aid—computers—and all letters will be sorted electronically. To be sure, more than 85 thousand were received last year and every one of them was answered.

The most beautiful view of Prague from the castle is from Karel Schwarzenberg's office. At this time the most wistful view is from the president's office because the president can look all the way to his apartment at Rasin Quay; because of security he must stay in the castle and cannot go home, but he can see his house at least through a telescope. But he does not look out only from the castle; our citizens are increasingly turning their eyes toward the castle because they are no longer governed from the building on the Vltava riverbank, from the former Czechoslovak Communist Party Central Committee, but from the castle. Decisions concerning our future and our life in this country are also made in the castle. Therefore, we certainly wish that the view toward the castle be just as lovely as the view from the castle.

### Minister Says West Wanted Demonstrations

91CH0474B *Prague LIDOVE NOVINY* in Czech  
27 Mar 91 p 3

[Editorial: "Without Comment"]

[Text] In the Tuesday edition of *LIDOVE NOVINY* we wrote about the pronouncements of Slovak Minister of the Interior Ladislav Pittner, published in the weekly *RESPEKT*.

Ladislav Pittner stated, among other things, that in connection with the demonstrations in the Square of Slovak National Uprising in Bratislava on 14 March, it cannot be ruled out that, besides the activities of former members of State Security, they were also influenced by chauvinistic Czechs and other Western sponsors. He said that Western intelligence services were interested in the destabilization of Slovakia already in the past.

According to the press spokesman of the Federal Ministry of the Interior, Martin Fendrych, Minister Jan Langos is not willing to comment on these statements. Martin Fendrych thinks that all requests for an explanation of his statements need to be addressed directly to Minister Pittner. Among responses by Western embassies rejecting these allegations, the most interesting was the response of the counsellor of the FRG Embassy, Mr. Michael Steiner: "I cannot imagine that a responsible politician would say something like that. And if he did say it, then I cannot imagine that he meant it seriously. And if he meant it seriously, then I must state that our efforts are entirely the opposite. We are interested in

having developments in our neighboring country take a positive course." We were unable to reach Slovak Republic Minister of the Interior Ladislav Pittner.

**Presidential Office in Bratislava Soon To Open**

*91CH0452B Bratislava NARODNA OBRODA in Slovak  
15 Mar 91 p 6*

[Interview with Miroslav Kusy, head of the Office of the President of the CSFR in Bratislava, by Alena Melicharkova; place and date not given: "Closer to Slovaks"—first paragraph is NARODNA OBRODA introduction]

[Text] Our president, Vaclav Havel, often protests that he does not travel to Slovakia for a visit but to work there, and that his trips there should be viewed with that in mind. This obviously was one of the reasons why our head of state decided to set up an office in Bratislava, was it not? Miroslav Kusy, head of the Office of the CSFR President in Bratislava, answers this and other questions.

[Kusy] That is not all. The Slovak office should offer services rendered to a major extent by the office in Prague Castle, but naturally, to a lesser degree and as a supplement, so that the president could come regularly to his office which will prepare conditions for his work on a daily basis. That is the bottom line. The others are derived from it.

[Melicharkova] What will be the range of work performed by the office in Bratislava Castle?

[Kusy] Time will tell, so to speak. Once we begin our operation, we shall see what else the president will need. Our basic task is to identify specific Slovak problems so that the president may see the picture not from Prague Castle but straight from Slovakia, and be acquainted with general problems elaborated not only by his Prague advisers but by persons who are at home here, who are living with such problems, and therefore, who know them intimately.

[Melicharkova] It is generally known that the president has in his office experts from various areas. Will the Bratislava office follow a similar direction?

[Kusy] Our intent is to bring the president closer to Slovakia. Thus, the Slovak office will interpret views on Slovak economy, culture, and politics in general, prepare background materials and take over part of the agenda with which the office at Prague Castle has been dealing until now. We want him to feel at home here. For that, preparations must be made, and we should make them.

[Melicharkova] Will you organize meetings and programs of activities for the president in Slovakia as well?

[Kusy] Thus far there is no accurate answer to your question. That also involves an organizational problem and security arrangements, for which the Prague office is well equipped. It would be needless and excessive for us

to try to duplicate that. Instead, we intend to deal with the ideological aspect of operations, and let the Prague team take care of organizational issues.

[Melicharkova] How many employees will be staffing the Slovak Office of the President of the CSFR?

[Kusy] For starters, we count on six to seven, including the office of the secretary. Later, if need be, we may expand it in some way. Of course, Prague Castle must economize, and we are financed from its funds. So far no restrictive instructions have come from the castle, but I am well aware of the situation. We can not and do not want to build any gigantic enterprise. This should be a small, flexible and nonbureaucratic workplace.

[Melicharkova] Your assigned premises in Bratislava Castle still are in a "desolate condition." When will your office begin to operate?

[Kusy] The premises are not directly in the castle but in the building of the Slovak National Republic next to the castle; they are being remodeled and will not be ready until some time this summer. If we cannot move into the rooms designated for us in the castle, Minister Snopko offered to us temporarily three or four rooms in the building of the Slovak Republic Ministry of Culture. There we shall begin our operation. In accordance with the decisions of the Federal Assembly, every employee we hire must undergo screening, which seems to me a logical requirement. That has delayed our work a bit because we must wait until the results of screenings give answer to our submitted proposals, and only then shall we be able to proceed.

[Melicharkova] And so, when will it open?

[Kusy] We were much too optimistic. We thought that it would be opened in March but that turned out to be unrealistic. I expect that it may in April.

[Melicharkova] Citizens are used to regard the president as the last instance in their effort to seek justice and to resolve their problems. What role in this quest for truth will the Slovak Office of the President of the CSFR play?

[Kusy] We have thought about that. The fact is that for that purpose Prague Castle has a revamped task team experienced with tackling such problems. I am not sure whether it may be possible at this stage to establish a similar sector in Slovakia. I am already receiving recommendations from our citizens and for that reason I must discuss this question with the president's Prague office. Thus far I have forwarded there the recommendations and letters. That is an official procedure that does not concern any national specifics. The problem is then submitted to a competent instance which must reply to the Office of the President what it had done in the given case. This constitutes a certain control mechanism. Here it would require a larger staff and I think that it would unnecessarily departmentalize the current extensive department. At any rate, we must identify what comes from Slovakia, what areas do those complaints involve,

what is their nature, what do they concern, in order to draw certain conclusions from them.

### Draft of Slovak Republic's Constitution Viewed

91CH0452A Bratislava NARODNA OBRODA in Slovak  
15 Mar 91 p 8

[Interview with Prof. Karol Plank, president of the Supreme Court of the Slovak Republic, by Iris Cibulova; place and date not given: "We Want To Go One Step Further"—first paragraph is NARODNA OBRODA introduction]

[Text] The Slovak National Council and the Government of the Slovak Republic appointed a commission to draft the Slovak constitution. In addition to experts on state law, representatives of political parties and movements represented in the parliament, as well as representatives of the Matica Slovenska organization and of individual nationalities and ethnic groups participated in its work. The president of the Supreme Court of the Slovak Republic, Prof. Karol Plank, was in charge of drafting the constitution; we asked him for an interview.

[Cibulova] Does this version of the constitution presuppose a federal state system?

[Plank] We were appointed to write a draft of the constitution of the Slovak Republic which directly presumes a federal system. Thus, on the one hand, the constitution declares that Slovakia is a sovereign state based on the right of self-determination of the Slovak nation, while on the other hand it assumes that the Slovak Republic had entrusted some of its sovereign rights to the agencies of the CSFR. Two concepts presented themselves; according to one, the rights entrusted to the federation were to be explicitly specified in our constitution, while the other says that they should be the subject of a special treaty. In the end we adopted the position that both the first and the second alternative may apply.

[Cibulova] Do both alternatives proceed from the concept of building up the federation from below?

[Plank] The rights of the federation will be derived from the rights of the republics, because the republic is the basis of sovereignty. However, if it cedes part of its sovereignty to the federation, its sovereignty will be limited. Now the question is, to what extent it should be divided. Thus far that was always determined from above. It was only during the drafting of the last law on competency that, to some degree, a reverse procedure was followed. Now we must conclude an agreement along these lines with our colleagues in the Czech Republic. We think that the most acceptable way to settle this matter is with a covenant.

[Cibulova] Does this mean that from the legal point of view there are no obstacles to a state agreement?

[Plank] The Czech partners object that such a covenant cannot be concluded because from the standpoint of international law our republics are not two independent entities. Nevertheless, I think that if the premiers of our national governments can conclude treaties with other states and thus act in international relations as at least partly sovereign entities, why cannot such a covenant be concluded by our two republics? After all, even in the framework of a federation we are two independent republics which have their supreme legislative bodies, their government, their independent judiciary—in other words, everything that an independent state requires. Why should not these two states agree on some form of cooperation or on the method of devising the federal constitution? I can imagine quite well that this covenant may be called the State Covenant Between the Slovak National Republic and the Czech National Republic on the Drafting of a New Constitution of the CSFR.

[Cibulova] In your view, what kind of arrangements should it contain?

[Plank] There are some opinions that it should arrange everything that applies in the new federal system. However, it will not include everything and therefore, also the commission that is supposed to draft the federal constitution will have plenty to do. The covenant will specify primarily the fundamental principles for the building of the federation.

[Cibulova] What degree of sovereignty will Slovakia have in the new federation?

[Plank] We must assess whether we shall be satisfied with what we have gained with the competency law, or whether we want to go one step further. Our draft of the constitution does go one step further in the sense that it extends the authority of the agencies of the republic to the detriment of the federal agencies.

[Cibulova] Could you say specifically where it "goes one step further"?

[Plank] That is hard to say because the competencies concern several areas of state functions. It will be necessary to reconsider whether the current division meets our needs.

[Cibulova] I should like to go back to the state covenant. So you do not think that the federation would have to cease to exist at least for a while so that the covenant could be signed?

[Plank] We do not regard the state covenant as a precondition for the draft of the Declaration of State Sovereignty of the Slovak Republic. In it it is assumed that an independent Slovak state, with full sovereignty and supremacy, will be established, and that it will conclude with the Czech Republic a covenant on the founding a new common union. However, Article 6, which speaks of the sovereignty of laws of the Slovak Republic, has already exceeded the framework of the federation. That

in itself is a characteristic of a confederal union. However, if we regard the state covenant merely as a new arrangement of what already exists, that does not necessarily imply that the federation will cease to exist for a time. I see it as a reform of the existing situation. The situation that will develop will be only qualitatively new.

[Cibulova] Do you think that the Slovak National Council should adopt the declaration?

[Plank] It would not be proper for me to assess what the deputies might do. However, if we adopt it, we would take the position that we want to abolish our existing constitutional system at least for a while. I already expressed my view on that issue in a draft of the constitution which I submitted to Frantisek Miklosko, the chairman of the SNR [Slovak National Council].

[Cibulova] The Slovak National Party [SNS] recently informed journalists about its own draft of the constitution which in all probability differs from the others in that it declares Slovakia an independent sovereign state with a president at the head. What do you think about that?

[Plank] The question about the president has no connection with the sovereignty. Every republic in Yugoslavia has its president, and now the Soviet Union is trying to do the same. I can imagine this happening in our country, but for the time being we are counting with a collective head of the republic—in other words, with the presidium of the SNR. However, it can also be said that the chairman of the parliament will act as president. In fact, he is already fulfilling some of his functions.

[Cibulova] The proposal of the SNS includes, for instance, the institution of the Supreme Control Court, and proceeds from trisecting state power into legislative, administrative and judiciary sectors. Does your version also consider these factors?

[Plank] We, too, expect that in the future a control court will be established in our country to oversee the management of state funds. Our draft also affirms the trisectioning of state power. Administrative power will be circumscribed only by laws, and the judicial system should be completely independent. No one should interfere with decisions of judges—not even the president of the court and the president of the supreme court. Insofar it concerns control of constitutionality, we presume that a constitutional court will also be established in the Slovak Republic within a year.

[Cibulova] When will our citizens be able to get acquainted with individual drafts of the constitution?

[Plank] Of course, the constitution will be a topic of national discussion. However, first the draft must be discussed by the deputies, because at present it more or less represents documentation of the commission of experts. We can submit it to our citizens only after we incorporate in it suggestions of the deputies. In this case

again plurality and competitive contention should prevail, and the best draft should win. After all, the constitution is the basic law of the state and every citizen must observe it.

#### Slovak Government Responds to Meciar Statement

*LD2903195691 Kiev Domestic Service in Ukrainian  
1745 GMT 29 Mar 91*

[Text] The chairman of the Secretariat of the Slovak National Council has published a statement through the Czechoslovak Press Agency concerning the latest meeting of Slovak Prime Minister Vladimir Meciar in Komarno. It states that at the meeting the prime minister publicly declared that it is necessary to make changes in the Slovak National Council Presidium.

The chairman of the Secretariat of the Slovak National Council is authorized to state that no competent organ of the Slovak National Council has asked the prime minister to tackle this problem. The government and its prime minister are at the moment confronted with serious economic and social problems in the Slovak Republic. The competent organs therefore believe that they will fully concentrate on solving them, the statement from the chairman of the Secretariat of the Slovak National Council says.

#### Members of Federal Commission on Screenings

*91CH0442A Prague MLADA FRONTA DNES  
(supplement) in Czech 9 Mar 91 pp 1, 3*

[Interview with Dr. Petr Toman and Jan Vidim, members of Federal Assembly commission to investigate the causes of the 17 November events, by Karel Pacner and Petr Sabata; place and date not given: "Screenings"—first paragraph is MLADA FRONTA introduction]

[Text] In September last year, the Federal Assembly created a commission to investigate the causes of the 17 November 1989 events. The commission has assembled the most complete data thus far about agents of State Security during the past 40 years. At the same time, it ascertained that there were about 140,000 of them, of which about 14,000 were active during the time prior to the November revolution. Some of them are still active in high positions, and therefore in January of this year the commission was given the authority to investigate possible connections of all the Federal Assembly deputies, ministers and their deputies, and other state and government officials with State Security—we are talking about screenings. In the latter part of March the commission is to present to the Federal Assembly plenum the results of their work up to that time. We asked two deputies who are members of the commission, Dr. Petr Toman, originally a lawyer from Chomutov, and Jan Vidim, student at the Higher School of Economics in Prague, to tell us about the method used in their work and about their views on the results.

[MLADA FRONTA] First of all—who screened you as members of the commission?

[Toman] We were screened by the Ministry of Interior after we were named to the commission. The screening was done using all accessible means which were then available, including registers of files. Later, when we were screening the deputies, we divided ourselves into three groups, each investigated 100 deputies, and within that framework we again looked into our own backgrounds.

#### Fifteen-Day Deadline

[MLADA FRONTA] How far did you progress with the screenings?

[Toman] We screened all the deputies and ministers and their deputies, so that we know precisely which ones were collaborators. We informed all those people about the results of our investigation, and now they have 15 days in which they can leave political life quietly. In the second stage we shall investigate employees of government offices, offices of the Federal Assembly, and the Office of the President.

[MLADA FRONTA] Those people then have a 15-day deadline from the moment you talk to them. If they do not resign their functions, how will you publicize their names if the deadline for making up their minds will pass before the next session of the Federal Assembly where the matter will be on the agenda?

[Toman] The names must not be made public sooner than in 15 days, but nowhere does it say that it must be done on the 16th day.

[Vidim] We must first give a report to our founder, that is, the Federal Assembly, at the plenum which begins on 19 March.

[MLADA FRONTA] Will that plenum be an open one or not?

[Toman] According to the procedural order, any deputy may propose that the session or a part of it be open. Then it must be voted on. Our commission will probably not propose a closed session.

[Vidim] If somebody asks for a closed session, then I think that all members of our commission will vote against it. In fact, the course of this session should be televised and broadcast live.

[MLADA FRONTA] Quite often doubts are cast on the screenings, because they are said to be an infringement of the Human Rights Charter and other documents guaranteeing basic human freedoms. Recently, the presidium of the Helsinki Committee even issued a statement that although they agree with the screenings, they consider the publicizing of the affected citizens' names to be a violation of that charter.

[Toman] The Charter on Human Rights and Freedoms contains two articles which are somewhat contradictory. Article 10 talks about the unlawful gathering and publicizing of information about the citizens of our republic. On the other hand, Article 17 guarantees the right of a citizen to be informed. I think that we have to ponder which right is to be given precedence, which one has priority. If we are talking about deputies and ministers and their deputies, that is, people who are in public life, and who willingly accepted those functions, then they have to expect that their right to privacy is not as strong as that of ordinary citizens. And that is precisely why we think that in the case of these people who are active in public life the priority goes to the right of the citizen to be informed about his deputy, rather than to the right of the individual in question to the ban on unlawful gathering of information. However, as soon as the deputy ceases to perform that function and becomes an ordinary citizen, then again according to our opinion Article 10 gains priority—and in that case any publicizing really would not be in accord with the Human Rights and Freedoms Charter. But as long as he remains a deputy, publicizing is definitely not unconstitutional.

[MLADA FRONTA] Whereas deputies have voted in favor of being screened, employees of the highest offices are being screened without having had the opportunity to disagree with it. Is this not a case of infringement of civil rights?

[Vidim] As long as the parliament considered it proper that former collaborators of State Security should not work in those institutions, it is its right. We have many reasons for that, the fundamental one being that such a person is easily manipulated. We already know of several such cases. An official can therefore work anywhere but not in the state administration.

[Toman] Nevertheless, I think that there was a mistake made in formulating this resolution, when, for example, it speaks about the Office of the Government Presidium, and the fact that working there are not only the chiefs of departments but also somebody like a cleaning woman, for example, was not fully appreciated. The imperfect law therefore forces us to work out the further course of action by ourselves and adjust resolutions to the real situation. For that reason, our course of action will be to turn over the screening results of the employees of the office of the Federal Assembly to the chairman of the Federal Assembly, the results from the Office of the Government Presidium to the prime minister, and the results from the Office of the President to the president. We shall leave further action to them. Even if we do not make names of the agents public after 15 days, we shall see to it that everybody gradually dissociates himself from them.

[MLADA FRONTA] On what legal basis will those who do not leave voluntarily be let go?

[Toman] They should leave on their own, voluntarily, after reaching an agreement on employment severance.

After all, there also exists the possibility, for instance, of making their names public in the work place.

**Screen the Entire Republic?**

[MLADA FRONTA] Some enterprises, offices, and local representative bodies are trying to have their leading officials and sometimes even the rank and file employees screened. Where—according to you—should the screenings stop?

[Vidim] The members of local representative bodies will indeed be screened. That was made possible by the resolution of the Czech National Council, which set up its own screening commission.

[MLADA FRONTA] And screening of employees in enterprises, offices....

[Toman] A law is now being drafted which would delimit the area of positions and function that would need a screening document—an analogue of a transcript from crime records. It must also establish the procedure to use in these screenings, the agency which would carry them out, and the method of dealing with the results so that they cannot be misused.

[MLADA FRONTA] To which functions should the screenings apply? How far should they go?

[Toman] If we agree with the limits that apply at this time, then they should affect all people active in public life. The screening should apply to the entire judicial system, courts, prosecutors, and above all attorneys. After all, many people who are "unacceptable" for the courts or prosecution and central agencies, are going without any restrictions whatsoever into legal services. The question is how deeply to apply it to the economic sphere—here personally I would not be so strict.

[Vidim] I think that it also would be useful to screen at least the chief editors and directors of the state mass media. But all that would certainly not be something we would do any more.

[MLADA FRONTA] Will it be possible one day for somebody to ask to have their employees screened on the basis of the law?

[Toman] That will depend on how the law is written.

[MLADA FRONTA] And will you recommend such a possibility?

[Vidim] If such a possibility were allowed, then at the same time there should be the possibility that anybody could ask to have themselves screened, because there are certain rumors being spread about them and they want to verify them, they want to have a piece of paper stating that they never had anything to do with State Security. I cannot very well imagine an institution that would concern itself with such an agenda.

[MLADA FRONTA] But if the application required maybe a 100-koruna stamp, I think that an office, that would make its living that way, would certainly be found.

[Toman] You are quite right.

**Three Cubic Meters of Evidence**

[MLADA FRONTA] Much was said and written about the sources which you use in the screenings. Can you tell us again what they are?

[Toman] These can be divided into two areas. The basis for the screenings are the registers of files. We can say that they are the crown of the evidence.

[MLADA FRONTA] How many are there in the entire republic?

[Vidim] Roughly three cubic meters of files.

[Toman] Each kraj has about 25-30 files. We brought them all to Prague in December, because we consider them indispensable to our work.

The basis for the screenings, therefore, are the registers of files in which specific people are entered. From there we go to the index cards which are stored in enormous containers. The second route leads through microfiche, that is, photocopies of computer printouts on which there are listed names of secret State Security collaborators that contain numbers which relate to the registers of files. We must also check these names against the registers where even the dates of births are listed. The last time the microfiche were made was in October 1989, so that we know all the agents from that time.

[MLADA FRONTA] And what kind of problems are you encountering?

[Toman] In December 1989 an extensive destruction of documents took place, during which even the index cards were pulled. We can compare this to a situation when somebody in a public library steals a book, the library does not have another copy and so they pull the card from the card catalogue, so that a reader would not be searching for it unnecessarily. This is exactly the way in which the destruction of documents in the Ministry of Interior was carried out. But because some people suspected that it was not exactly the right thing to do, they put the cards into bags instead of destroying them. And when we learned about that in November last year, we gave instructions to make a so-called morgue of the destroyed documents out of these cards. Or in other words, this is the third way we have to get at the registers of files. Now the registers of files are being entered into the computer, and thus we shall be able to ascertain very quickly and reliably who was included in them. By the way, entering them into the computer has been going on for six weeks already, and it will still take another two or three weeks—operators take turns on five terminals 24 hours a day, five days a week.

[MLADA FRONTA] And what if one of the deputies is entered only in the register of files but there is no mention of him anywhere else? In such a case, will he escape your attention, or do you really check three cubic meters of files?

[Vidim] Yes. We really check three cubic meters of files.

[Toman] We also supplement the entry in the register with other supporting evidence. By checking the data on the computer and above all by questioning. Either of the secret State Security collaborator, but more often the member of State Security who recruited that person and ordered his name to be put on the register. Sometimes we question even the superior officer who was regularly present during the recruitment, possibly also his colleagues who knew who had an agent with such and such cover name, under which was hidden such and such a person. And then we verify his secret collaboration by trying to find on whom the agent in question might have been working and in whose dossiers, unless they were destroyed, his informer's reports are entered. So that sometimes it happens that even though the documents of the agent himself were destroyed, we nevertheless find the information elsewhere.

[MLADA FRONTA] By cross-checking all kinds of documents you are actually working your way toward the truth....

[Vidim] Yes. All former members of State Security whom we are questioning know very well the method that was used by that organization. Therefore it must be clear to them that the registers of files are not the only thing we have in our hands and can use. Most members of State Security had a legal training, they are not stupid people, and they are testifying to us under the penalty for perjury, so that it would be unwise of them not to tell the truth.

[Vidim] Also technically unfeasible is disinformation of the kind when some name would be entered into the register of files additionally—someone who was not an agent. That is simply not possible. The clerk would have had to have left for some reason a blank line before continuing making entries, and only later somebody would then put in the name of the person to be incriminated. At the ministry and its subordinate components strict controls were in effect for at least one and a half years.

[MLADA FRONTA] It is being argued, of course, that there were agents too important and so secret that no evidential record was kept of them. For example, the Bratislava SMENA of 19 February quoted Slovak Minister of Interior Ladislav Pittner about "Residents F," who were not listed anywhere. Former Minister Richard Sacher stated in LIDOVA DEMOKRACIE on 28 February that other secret agents were hidden in files where people suspected of criminal activity were entered. Can you confirm this information?

[Vidim] The "Residents F" were employees of the Federal Ministry of Interior, who worked at occasional jobs under cover names. We know about this network and we also know how to uncover it.

[Toman] As far as those files are concerned, we did not come across any case such as Dr. Sacher is talking about. We do not know why he keeps this knowledge from us. If he does know about such cases, we would appreciate it if he would tell us about them.

[MLADA FRONTA] You are working 24 hours a day, five days a week. You certainly have some additional personnel to help you. Who are those people?

[Vidim] Inputting from the registers is done concurrently on five terminals, so it is not very well possible for the members of the commission to do that. There are 15 of us, and therefore we have assigned to us screened workers of the Federal Ministry of Interior who had no connection with State Security. Although we have no reason not to trust them, they also work under the supervision of one of the deputies-members of the commission. He checks the results of the work of the previous shift. He asks for a printout of everything that was entered into the computer, then he takes the registers and checks to see if there are any mistakes. We, too, work there in three shifts.

#### Who Was a Secret Agent?

[MLADA FRONTA] A great many of the media as well as some politicians cast doubts on the screenings and the method in which they are being carried out....

[Toman] That is a political and moral question. The public opinion was clear from the beginning, it approved of the screenings. Lately also those who should be making decisions about it are leaning toward that opinion.

[Vidim] The Slovak Government, which originally assumed a negative stance toward the screening, is changing it today. The Slovak National Council now has a kind of preliminary screening commission, which is to ascertain to what extent the materials we are using are trustworthy, and then a decision will be made accordingly.

[Toman] It appears that those who get acquainted with the screening process and with all the sources it is based on, will tend to agree with the screenings. Opposed to the screenings are only uninformed people, or people who are only too well informed and who could be affected by the results of the screenings. Either they personally, or people whom they would like to keep under their thumb because of what they know about them.

[MLADA FRONTA] Would it not make your work easier if there already existed a law which would define the concept of the screenings, who and under what conditions can be screened, and what function they cannot hold in case of previous collaboration? The

resolution of the Federal Assembly at the beginning of January provides a rather weak legal basis.

[Toman] You are right. If there were a law, we would have precisely set rules and we would not have to set them ourselves.... But our experiences with the screenings will become the basis for the draft of that law. We will share in formulating it by contributing specific knowledge and experiences, above all by having detailed knowledge of many agency documents and of a great number of life conditions under which people became agents. As well as by judging guilt or lack of guilt....

[MLADA FRONTA] How did people, whom you told that you found out about their membership in the State Security, react? Did they attack the results of the screenings or did they indicate that they will resign?

[Toman] That depended on the character and personality of the person in question. We are not empowered to assess the extent of the guilt and the extent of the offense. We only investigate whether a person was or was not registered as a secret collaborator of State Security. When we become familiar with those materials, we get the impression that some people gave in under the pressure of circumstances, a difficult personal situation, compromising materials, or that they acted out of ignorance, that they did not fully appreciate the situation. But then out of this emerge some real stool pigeons, such human monstrosities. The former show a much more honest and responsible attitude than the latter. That is terribly sad. We, ourselves, of course feel for those people. About some of them we say: it is a shame about that person—he himself does not deny anything, says "what can one do" and is reconciled to resigning. And at the same time the problem may have been a single instance, perhaps 20-25 years ago. And the person who was an informer for 20 years, was an informer until the last day of the old regime, he looks at his own signature by which he confirmed his enrollment, and tells us: "That looks like my signature, but I have never signed anything like this." And all the while he looks earnestly into your eyes. So that because of the first group we sometime feel like giving up all this work, but the other group gives us the strength to forge ahead until the end.

#### And the Top People Will Not Be Affected!

[MLADA FRONTA] Many Communist deputies, even though they were connected with State Security in the past, will come through the screenings without a stain on them. Does that not bother you?

[Vidim] You are mistaken. Before someone reached that certain level in the nomenklatura from which he could not be recruited, it took him some time, of course. With regard to the fact that these people had a very positive attitude to the previous arrangement, then they also had a positive attitude to cooperation with State Security. Stories that the Communists are not found in the register of files, are totally wrong.

[Toman] Personally, I am very troubled by another matter, which, although it does not cast doubts on the screenings, to my mind presents problems. We find secret collaborators of State Security, we dissociate ourselves from them, but unfortunately there exists no method for dissociating ourselves from those people under whose communist leadership it all was taking place for 40 years. We cannot get at those people. State Security was a power arm of the Communist Party, it was directly under the command of the 13th Department of the Czech Communist Party [CPCZ] Central Committee. We prosecute small agents but we do not know how to get at those who gave direct orders and incentives for such activities. To this day, former ministers and former deputy premiers are sitting in the parliament, and to this day employees of the 13th Department of the CPCZ Central Committee are active in public life—in peace and quiet.

[MLADA FRONTA] How to solve this, then? President Havel is thinking about some moral tribunal over communism, and recently a planning group for an international tribunal met in Prague. It is a dilemma which we all feel.

[Vidim] First and foremost, it should be talked about. Their contribution to the former regime should not remain a taboo subject even though these people may be deputies, or have quickly and conveniently changed their color. It should be repeated over and over again that the screenings are not a panacea, that they will not solve all the problems in the society, and that they will in no way touch the absolutely top people of the previous regime, the former representatives of the Communist Party. If such people are still active in public life today, than it discredits all of us. But no legal recourse occurs to me.

#### Parliament Will Be Calmer

[MLADA FRONTA] You know the agents who are sitting in the parliament, and you follow their behavior. Is it possible that these people help to bring about political upheavals, such as, for example, the "Hyphen War," the problems with the jurisdictions, expressions of no confidence toward the Federal Government, and the most recently blown-up crisis about the restitution law?

[Toman] I definitely do not think that the destabilizing elements in Slovakia and Moravia are a matter of chance. In December, after six months of negotiations, we took care of the jurisdiction problems, and several weeks later, in January, agitations began in Moravia. With regard to the knowledge which we have, nobody will convince me that it happened by chance.

[MLADA FRONTA] Do you think, then, that when deputies, politicians, and government officials with connections to State Security leave, our political scene could become calmer and more constructive?

[Toman] Yes. But, of course, the political scene is not created only by people who sit in the ministries and the parliament, the political scene is made also by people in

the districts, towns, by representatives of other political parties, all kinds of newly and quickly created political clubs, associations, and movements who manage to stir up the political scene more than enough. And as far as sowing distrust and social unrest is concerned, we can hardly prevent that by not having the person in question sit in the parliament. At present, the screenings are creating a terribly tense atmosphere in the parliament—nobody knows who is who. Some colleagues-deputies come to us—I need to discuss something with such and such a person, so tell me if I can do that because it is a confidential matter. But the problem is, we cannot tell anybody anything. I think that after the screenings are done, the situation in the parliament will clear up and will quiet down again in the government and the ministries. Certainly the relationship of the public toward the parliament, the government and the ministries will also improve. We were elected democratically, we are no longer corrupted usurpers, and we shall also be morally pure, at least as far as collaboration with State Security is concerned.

#### Nobody Stole Our Revolution!

[MLADA FRONTA] And so we are slowly getting down to the reason why your commission was established—to investigate what led to 17 November....

[Vidim] I do not expect so much from the screenings themselves, but rather from throwing light on the events of 17 November. I believe that we shall succeed by certain means to ascertain some of the mechanisms by which the old power became defunct and the new power came into being. Even that could calm down the situation.

[MLADA FRONTA] Can you elaborate on this idea?

[Vidim] What happened before 17 November, on that day, and all that has followed up to this day, is clearly connected. Certain people stand out there, but above all various linkages among them before as well as after 17 November. Many people are at this time feeling like ants in an anthill—they are afraid that somebody will step on us from above and that everything will change totally. That is why we must openly say what we arrived at. And I think that that could also calm down the situation.

[MLADA FRONTA] So we can say that the working hypothesis of your chairman, Jiri Rumpl, that by discovering the role of many people you shall throw light on the causes of the revolution, has been confirmed?

[Toman] State Security is being made into a bogey man; many of its members were very able and intelligent people, but they did not plan the revolution for us. Hundreds of thousands of people in the square were not chased there by design. They simply had to have gone there on their own. When we realize that, we have nothing to be ashamed of. Whether the Soviet secret service KGB figured in it, or possibly other intelligence

services, we cannot rule that out or directly confirm. But nobody stole our revolution, nor did anybody force it on us.

[MLADA FRONTA] You are talking in generalities too much. Can you be more specific?

[Vidim] We do not have the authority to make statements on this point. The analysis of our findings will be presented in the Federal Assembly, together with the report on the screenings. We are also considering giving the parliament an outline of where agents of State Security have been active and still are active. That could make many things clear to the public.

[Toman] It is shocking to all of us, knowing who all were State Security agents. When we see what those people are doing now, how they act. I have appeared on television many times lately, but I cannot think of a single program where a State Security collaborator was not on with me. And it is even worse when I must discuss the screenings with them. Or when we read in the papers articles criticizing the screenings, signed by former agents.

[MLADA FRONTA] The assault of State Security men on young people on Narodni Trida was not staged, then, and our revolution was not carried out according to a scenario by the State Security and foreign intelligence services. But if you submit such a proposition after what people have read in the report by Mr. Dolejsi, many will have a hard time believing you.

[Vidim] Mr. Dolejsi painted a cataclysmic scenario. I do not think that anything that will not reach that level of cataclysm will interest people as much. Even if our report is documented by thousands of various materials and proofs, I am nevertheless afraid that some will continue to believe Mr. Dolejsi's version, because they will consider it more palatable.

[Toman] Deputies of all kinds are members of our commission. Nevertheless, we succeeded in making it into a good group of people tuned to the same wavelength. We have mutual trust—we know that we shall not keep anything secret from each other, and we know that we shall not keep anything from the public, either. And that in the final report we shall include everything that we have discovered—whether people will believe it or not. And there will always be somebody who believes us, because of the reasons that Honza [Jan Vidim] mentioned. But for our own benefit, we shall have a clear conscience that in the given time we discovered what we could discover, and that we did not keep anything back. True, hints are appearing that we do not have to make some of the results of the screenings public—but that is absolutely out of the question. The same goes for 17 November. We shall speak about everything, no matter whom it involves.

[MLADA FRONTA] Although your commission is politically representative, do all its members take part in

the final conclusions? To what extent is it impossible for someone to say, for example, that its work was manipulated by the Civic Forum?

[Vidim] All members of the commission must take part in the basic decisions of the commission, such as, at this time, the screenings. When we find a State Security collaborator, we write a final report about it on which all members of the commission cooperate and which all of them also sign. That ensures a broad political spectrum. Everyone has the obligation to get acquainted with this material.

[Toman] It is absolutely impossible to keep something secret in the commission. Even if somebody or some small group within it wanted to do something like that, it would not be possible very well because all members of the commission have access to all the materials. Recently we learned that one newspaper is preparing an article saying that we have about 50 State Security agents, and that we are protecting two of them.

[Vidim] We are even said to be persuading top officials to testify in favor of those two. This is the kind of absurdity that faces us.

[Toman] We would be crazy to do something like that, that would be suicide, after all. When the article is published, any intelligent person will understand what it is all about, although some people will be happy to hear such a denunciation, and many will, of course, believe it. The article is obviously intended to discredit the commission and its conclusions.

[MLADA FRONTA] Let us admit that there are 50 of those agents in the Federal Assembly. Fifty deputies will leave and 50 new ones will take their place. Will you screen them before they come to the Federal Assembly or only after they become members?

[Vidim] We would have to screen all alternates in the parliamentary elections.

[MLADA FRONTA] Or in other words, you will screen them only after they become deputies?

[Toman] Yes. We hope that if some of the alternates had been State Security agents, that they will perhaps not want to become deputies voluntarily. After all, they would have to leave the parliament in a short time anyway.

[MLADA FRONTA] When will your commission end its work?

[Vidim] We do not know. Originally, we expected it would end by the anniversary of the free elections, but the screenings slowed everything down. Some new, interesting materials came to light, so that we cannot set a deadline.

[Toman] I feel that we convinced some people that we are serious. It shows in their attitude toward us, in greater trust, in the fact that people are talking about

many other instances about which they did not speak before. Because we have a deeper insight and wider knowledge, we can gain more information from others. Our work then is continually covering a broader area, we are constantly discovering new, very interesting and important matters. And we must investigate them, because today there is nobody else here who would do it in connection with 17 November and the period that followed.

## YUGOSLAVIA

### Loncar Receives European Community Delegation

*LD0404122491 Belgrade TANJUG in English  
1041 GMT 4 Apr 91*

[Text] Belgrade, Apr 4 (TANJUG)—A delegation of the European Community (EC) made up of current EC Chairman Luxembourg's Foreign Minister Jacques Poos, Italian Foreign Minister Gianni De Michelis and his colleague from the Netherlands Hans van den Broek arrived here today on a one-day visit to Yugoslavia.

The EC delegation was welcomed at Belgrade Airport by Yugoslav Foreign Secretary Budimir Loncar.

Immediately after their arrival, talks were opened in Belgrade's Federation Palace between Loncar and his guests, who are here at the instructions of the EC's Ministerial Council on a mission aimed at gaining first-hand knowledge about the Yugoslav crisis and prospects for ending it in a peaceful and democratic manner.

It has been learned that mention will also be made at the meeting of Yugoslavia's participation in European integration trends and cooperation with the EC.

The EC ministers will today be received by Yugoslav Presidency President Dr Borisav Jovic and Prime Minister Ante Markovic.

The delegation and the Yugoslav foreign secretary are also scheduled to meet with reporters in the Federation Palace this afternoon.

### Chamber's Decisions on Constitutionality, Legality

*LD0404201191 Belgrade TANJUG Domestic Service  
in Serbo-Croatian 1700 GMT 3 Apr 91*

[Text] Belgrade, 3 Apr (TANJUG)—At the end of its session, the SFRY Assembly's Federal Chamber adopted conclusions in connection with its discussion on constitutionality and legality. The chamber requested that until an agreement on the country's new order is reached, competent republican and provincial institutions refrain from adopting and implementing regulations that contravene the federal constitution and laws.

It asked the constitutional commission to table a draft law on the new order for a Yugoslav community as soon as possible, and asked the federal government to secure

mechanisms for the implementation of decisions made by the constitutional court of Yugoslavia.

The Federal Chamber will continue working tomorrow.

### **Illness Prevents Sapunxhiu From Giving Interview**

*AU0404144891 Zagreb DANAS in Serbo-Croatian  
26 Mar 91 p 18*

[Unattributed article: "Hospitalization or Isolation"]

[Text] Riza Sapunxhiu, member of the SFRY Presidency, who according to the unauthorized decision of the Serbian Assembly no longer holds this post (which is a consequence of his decision to extend support to those who were against the introduction of a state of emergency when Jovic tried to promote a military coup), is being treated in the military hospital in Belgrade. We agreed to conduct an interview in the hospital. There were no problems about it. Despite this, we were unable to carry it out. Although we confirmed by telephone that everything was in order and announced our arrival beforehand, and although Sapunxhiu on the other end of the telephone replied—in a voice that did not appear unusual or weak—that he was waiting for us, we could go no further than the hospital's gate. There we had to wait for his doctors (who introduced themselves as Colonel Dr. Pantovic and Colonel Dr. Maric) who informed us that the medical condition of their patient did not permit him to give interviews. They left after announcing this. As far as they were concerned, there was nothing else to discuss. It is true that remarks were made that we should not have agreed to interview with Sapunxhiu directly, but this was of secondary importance in the whole conversation. We insisted on telephoning the hospital quarters of the member of the collective chief of the state, to hear from him what had changed in half an hour. Sapunxhiu said that he was not aware that his condition was that serious, and said that he is a little bit anxious after his talk with the doctors.

Disregarding the fact that reasons for fear really exist after all, we believe that his medical condition will soon improve. Finally, the question is: Is Sapunxhiu in the hospital or in isolation?

### **Reasons Why Croatia Is Nearing Bankruptcy**

*91BA0393A Zagreb DANAS in Serbo-Croatian  
5 Mar 91 pp 26-27*

[Article by Ivo Jakovljevic: "Sovereign Bankruptcy"—first paragraph is DANAS introduction]

[Text] Why is Croatia, which finds itself in an increasingly independent position within an increasingly lenient Yugoslavia, from one day to another nevertheless increasingly closer to bankruptcy

Back at the beginning of June 1990, at the moment of the formation of the new Croatian government and two weeks after a peaceful transition from a one-party to a

multiparty system, Croatia was a country with large economic problems, but also with exceptionally favorable chances for a relatively quick "trip into Europe." Inflation in Croatia was zero, the number of unemployed was increasing slightly (because of the seasonal rise in demand), the dinar, as foreign exchange, was approaching the status of complete convertibility, and the effect of the multiparty system promised security for domestic and foreign investors on the threshold of a new development cycle.

Back at the beginning of last summer, Croatia shared the financial fate of Yugoslavia in many ways, but is also utilizing the highly liberalized markets for goods and services, imports, foreign exchange, and even cash. When the Assembly of the SFRY passed a complete package at the beginning of August of regulations that opened up the possibility for privatization of an appreciable part of social property, it seemed that Croatia would become a special locomotive for general Yugoslav development in the shortest possible time, and subsequently for a long awaited exit from the political crisis as well.

However, if a number of assembly decisions, laws, and resolutions aimed at achieving an independent and sovereign position for Croatia in a confederative Yugoslavia (which have been promoted with undisguised glee in the last nine months) are compared with the actual economic results in the Croatian economy, a special paradox arises at first glance: With the expansion of democratic institutions, technology, and activities in Croatia, its economy has approached the very brink of complete collapse! Is this proof of that (is it the only one) Croatian paradox, in the transition from a one-party to a multiparty system and from an administrative to a market economy?

### **Program in the Shadow**

The fact is that the Croatian government did not officially have its economic program up to the end of October of last year, although this program could de facto be only a derivative of the political program of the Croatian Democratic Society as the party that received the most votes at the multiparty elections. In accordance with this program, however, the economy received second-class importance, i.e., achieving the political sovereignty of the Republic had priority over a "better life." Within this structure it could be figured that this sacrifice of the economy in Croatian political tactics would, in a short time, be a more bearable price for realizing political sovereignty, so that time for the "better life" itself would come over a longer term. Speculation is also possible about whether the Croatian political leadership, because of the size of its burden in Yugoslav political society, did not have a better choice than to accelerate, through the process of making the Republic politically independent, and through political events—including the so-called showing of all the cards in the latest Yugoslav political party-drama. But what has really happened in the past nine months to the Croatian economy on the trail of new Croatian politics?

Industrial production, which accounts for 55 percent of the value of the Republic's gross product, has accelerated the fall, from one month to another, except for October and November. Thus, production dropped by 18 percent in January of this year compared to January 1990, and by 11.3 percent in all of 1990 (compared to 1989); and all this was 1 or 2 percent higher than the Yugoslav average. On the other side of the coin of Croatian economic depression, a rapid rise in unemployment has taken place in the last nine months; the number of people seeking jobs at employment offices increased from 150,000 in June to 220,000 in February 1991.

Since the beginning of January, the Croatian economy has lost a significant part of the Soviet market (because of the abolishment of the clearing method for paying for this trade), as well as the whole Iraqi market (because of the Gulf war), and a great part of the Serbian and Montenegrin markets (because of the internal trade war and the result of the practice of not paying accounts), and the foreign market (because of the increasingly weak competitiveness of exports, reduced among other reasons because of the overvalued rate of exchange of the dinar). There is already an estimate that during this short period the Croatian economy lost almost 70 percent of its market (not counting the drop in tourism because of roadblocks and the so-called Serbian Autonomous District of Krajina).

#### The Black Market

In the meantime, the black market in foreign exchange, as well as in cash (dinars), has revived in Croatia. Thus, while nowadays the premium on the official rate of exchange for foreign exchange on the black market—"by the statue" on the main Zagreb square—already amounts to 35 percent, the interest rate on short-term loans on the money market in Zagreb is about 60 percent (annually), and on the black market as high as 20 percent monthly! All this shows that Croatia has already sunk deeply into so-called slampation, i.e., into a situation with simultaneously high inflation and unemployment, accompanied by a drop in production.

More than 500,000 employed people were already working in insolvent enterprises in Croatia at the end of December and exports were going downhill, while federal government discussions with the International Monetary Fund about a new stand-by loan as the precursor of a package of foreign loans totalling \$5 billion (from which Croatia would also benefit) have been suspended. Therefore, Croatia is being very seriously threatened nowadays by a new wave of inflation, as well as by a new wave of bankruptcies and layoffs from jobs, and even by gas rationing coupons under the latest black scenarios, while the reflection of political quarrels in Yugoslavia on preparations for the coming tourist season is already being talked about in terms of a natural disaster, (booking by foreign tourists is off 30 percent compared to the same time last year).

What kind of economic policy has the Croatian government conducted? When did the Croatian economy arrive at the very brink of ruin and disintegration?

Back in June 1990, when the Markovic government collected the first fruits of several months of a policy of liberalization and deregulation, the Croatian government did not have God-knows-what kind of authority in economic policy. Nor could it conduct an independent monetary policy, or policy of profits or economic relations with foreign countries, but only fiscal policy. However, while the Croatian leadership advocated expanding the multiparty system throughout the whole country and the transition to a market economy in all republics, the Serbian leadership expended the greater part of their political energy in accelerating the breakdown of existing market and political institutions in Yugoslavia, hoping that this route to the abyss was a chance for a new "modern federation." Thus, the policy of the federal government, which attempted to stimulate the transition from a one-party to a multiparty system and from an administrative to a market economy throughout the whole country but within the boundaries of this Yugoslavia, besides overall foreign political and financial, support nevertheless found itself sandwiched in between Belgrade and Zagreb, with the addition of Ljubljana (where, it seems, it lost almost all its functions).

#### Two Battlefields

In the past nine months, under various systems, the Croatian government has conducted policies on two battlefields: On the first it tried to save what it could, but also to respond quickly to the policy of the Yugoslav People's Army, Belgrade or Ljubljana, while on the second it attempted to play the game for the long term, assuming, probably, that the democratization of politics and the deregulation of the market in Yugoslavia would nevertheless result sooner or later in the benefit of all republics and peoples. Thus it responded with approximately the same measure to the economic war of Serbia (which introduced so-called internal duties last fall on goods from Croatia and Slovenia, or special taxes in the business sphere). Next it discreetly, although belatedly, stimulated the withdrawal of foreign exchange from the accounts of citizens (and in this game it lost a part of its share in Yugoslav foreign exchange reserves), and also responded (although cautiously, relatively quickly, and to a lesser degree) to the Serbian attack on the payments system of the country at the end of December. After Serbia practically printed 18 billion dinars and put them into circulation (among other things, the withdrawal of hard currency from Yugoslav foreign exchange reserves), Croatia also grabbed 1.2 billion dinars from primary issue on 29 and 31 December, allegedly using it to pay salaries, mainly in Dalmatia, where exporters were about to collapse.

In the meantime, Croatia stopped paying into the Federation Fund for Financing Quicker Development in Undeveloped Republics and the Province of Kosovo in order, while competing with Slovenia and Serbia, to

limit, stop paying, or begin to withdraw payments for turnover taxes and customs duties for the federation budget (in a total amount of about \$3 billion since September), while at the same time seeking—because of a general lack of financial discipline—2.5 billion dinars from the federation. In order somehow to save enterprises that have become insolvent due to the fact that the federation is not paying its obligations (because the republics are not paying the federation), the Croatian government decided at the beginning of February to issue bonds valued at 2.5 billion dinars and distribute them to enterprises owed by the federation due to export stimulus, subsidies in agriculture, and cover for exchange rate differences on foreign loans, and with which their owners could raise credits for liquidity in the amount of 50 percent of the nominal value of the bonds within a period of six months. Finally, Croatia, by government decision in the middle of December, freed buyers of imported automobiles from paying turnover taxes and other duties. According to estimates of the Federal Executive Council, Croatia deprived the federal treasury of about 2 billion dinars in customs duties and turnover taxes on 20,564 automobiles as of 20 February.

### Playing With Money

The race to print money among Serbia, Croatia, and Slovenia ended recently with an alleged “unexpectedly high and favorable liquidity in banks throughout the whole country.” Specifically, since Serbia nevertheless could not or did not want to return all 18 billion printed dinars, but only 12 billion, it became possible for others in Yugoslavia to grab 14 billion dinars from primary issuance, so that all would again be equal by the middle of December! Thus, Croatia got its additional 2.4 billion dinars for the first quarter, which it used to return its incursion into the payments system (1.2 billion dinars) and to improve the liquidity of banks in the republic (the remaining 1.2 billion dinars), thereby avoiding the threat of bankruptcy of widespread proportions. As the governor of the National Bank of Croatia himself, Ante Cicin-Sain, recently stated that the focus is nevertheless only on new “dangerous relief,” i.e., postponing a confrontation with the brutal truth.

After long deliberation over the past nine months, the Croatian government bit into the most bitter of all the apples in the basket of reform: It moved to privatize social property, but in its own special way. It first stopped the implementation of regulations passed back in August by the Assembly of the SFRY, and next proclaimed the electric power industry, the railroads, radio and television, the postal service, and even the Nuclear Science Institute and Astra, and—for all practical purposes, with the elimination of self-managed communities of interest—all social activities as well to be public enterprises. In this temporary expansion of the state sector, the Croatian government will also be served soon by the Law on the Conversion of Social Enterprises, with the assistance of which the sale of a whole enterprise or part of it, its capitalization, the exchange of demands for shares and, in the last variant, the contribution of all

stocks to the Croatian Fund for Development, are facilitated. It is estimated that by the end of 1992 more than 70 percent of current social property in Croatia will transfer to the state sector!

### The Assistance of Emigrants

The Croatian government has definitely achieved its greatest results in the fiscal system and policy, which with the transition into 1991 was completely adapted to the confederative model of Yugoslav society. Thus, all contributions were eliminated and all taxes reduced to nine types, tax rates were lowered, and the overall burden of tax obligations eased. The tax on profit is 40 percent (similar to OECD countries), and new enterprises are exempt from taxes in the first year, with tax breaks in the second and third years. Foreign investors are placed in a favorable position (the tax on profit is only 40 percent for them), etc.

Finally, the Croatian government has sought financial aid from Croatian emigrants, for which—as stated in the appeal by the government to “all Croats and friends”—a special account has been opened in Switzerland. Does this fact mean that the economic position of Croatia has worsened so much that from now on its economy will become the most important issue in its policies, and that after it has attempted to take the most independent possible position in carrying out macroeconomic policy, the rejuvenation and expansion of the market are becoming goal number one?

(Only) in a peaceful outcome of the Yugoslav drama is a definite answer to the question, as well as to all others that precede it, possible.

### Croatian Depression 1990-91

Monthly Industrial Production	Rise/Fall (in percent)
June	- 3.1
July	- 1.9
August	- 0.4
September	- 0.6
October	+ 0.2
November	+ 0.4
December	- 2.3
January	- 1.5

### Army of Unemployed in Croatia

June	150,000
September	177,000
December	204,262
March (est.)	225,000

Source: Economic Chamber of Yugoslavia, Economic Institute of the Economic Faculty, 1991

### 'Teams of Experts' To Discuss State Structure

LD0504171791 Belgrade TANJUG in English  
1500 GMT 5 Apr 91

[Text] Belgrade, April 5 (TANJUG)—Teams of experts, made up of representatives of the Yugoslav Federal Government and the governments of the six Yugoslav republics, were formed today with a view to reaching agreements on the vital functions of the federal state until a definitive accord on Yugoslavia's future is reached.

The teams of experts, as TANJUG has learned, are to complete the work by April 10.

The talks on the credit-monetary and financial relations opened today.

A mere 200 million dinars (around 13 million dollars) are daily paid into the federal budget, instead of between 500 and 600 million dinars.

The teams of experts will hold talks also on the functioning of the republican and federal ministries of internal and foreign affairs.

Before the teams of experts conclude their talks, Yugoslav Federal Prime Minister Ante Markovic is to meet with the prime ministers of the six republics to discuss the issues on which no agreement was reached by the experts.

### Slovene Delegation Confers in Kosovo

LD0404052791 Belgrade TANJUG in English  
1522 GMT 3 Apr 91

[Text] Ljubljana, April 3 (TANJUG)—Ethnic Albanians in the Yugoslav Province of Kosovo demand that Kosovo be given a confederate status and "refuse to remain any further in whatever form" in the Republic of Serbia, as member of the Republic of Slovenia Assembly Mile Setinc told a news conference in the republican capital of Ljubljana today.

Setinc headed a delegation of Slovene parliamentarians who visited Kosovo yesterday and conferred with representatives of ethnic-Albanian parties. Ethnic Albanians constitute the majority in the Province of Kosovo, which is part of Serbia.

At a news conference held in Kosovo's capital of Pristina yesterday, the Slovene parliamentarians and representatives of ethnic-Albanian parties set out that no solution to the Kosovo problem was possible without multiparty elections in the province.

The Republic of Serbia parliament last summer suspended the Kosovo government and parliament because of ethnic-Albanian separatism and aspirations to join Kosovo to Albania, and it recently abolished the institution of the presidency of Kosovo.

"In the event no accord is possible in Yugoslavia, that is, if that state no longer exists, (ethnic) Albanian parties in Kosovo will urge another solution, and have clearly enough let us know that that other solution will be unification with Albania," Setinc said in Ljubljana today.

Setinc underscored that the Slovene parliamentarians assumed the obligation in Pristina yesterday to recommend to the Slovene leadership not to recognize "the illegitimate and unlawful" replacement of Kosovo's representative in the Yugoslav State Presidency Riza Sapundzija.

Sapundzija was replaced as Kosovo's representative in the collective state leadership with Sejdo Bajramovic by the Serbian Assembly recently.

"It is actually shameful that Slovenia is not doing anything for the reopening of the Kosovo, that is, the (ethnic) Albanian issue," Setinc said, and set out that the economic and political situation in Kosovo was disastrous.

### Views of Intellectuals on Serbia's Borders

91BA0384A Belgrade BORBA in Serbo-Croatian  
26, 27 Feb 91

[Article in two installments by Cvijetin Milivojevic: "How Intellectuals and Political Parties in Serbia View the Borders of the Serbian State in the Event of Yugoslavia's Collapse: Circle Around the War Monuments"]

[26 Feb p 7]

[Text] Can all Serbs, or at least the vast majority of them, an imposing percentage of whom are scattered outside their homeland, be under the protection of one state in the near future? This is a question which has grown, in just a few years from a proscribed idea among Serbian academics into a state and nationwide slogan.

Back around 1986, Zoran Sokolovic, the present head of the SPS group of deputies in the Serbian National Assembly, stated that the SANU [Serbian Academy of Sciences and Arts] memorandum "involved ideas and messages which, based on Serbian nationalist positions, represented a call for political action to destroy our system and break up Yugoslavia." Today, some of those who then "acted from Serbian nationalist positions" are in the same party (and deputy) benches as those who were then "defending the Constitution" for the system of a constitution that had "clipped Serbia's wings."

Among intellectual and political Serbs today, the question that is mostly being discussed is the common borders within which a future Yugoslavia, or Serbia, will protect the interests of the Serbian people, because that first question is taken for granted.

In the new parliament (as well as in the opposition outside of parliament, after all) there is an undeniable consensus, with only one point of contention—some

support immediate action on an ethnic-regional level "so that time does not pass us by"), while others would rather wait for all the misunderstandings to be resolved slowly through the (current) federal "2-2-2" approach.

From the moment when the Novi Pazar "mischievous fellows" from the Serbian National Renewal threw the card of the "Kingdom of Serbia" (naturally, within much broader borders than today's) on the table for the first time last year on Christmas Eve, the leaders of the new Serbian parties simply competed over who would go further and wider—according to various rights, from justice, through history and ethnic principles, to reminders of international obligations and war memorials.

What the newly radical leader Vojislav Seselj christened, after parting with his friend Vuk over the issue of an insult to St. Sava in an (in)artistic way, with the name of his newspaper (VELIKA SRBIJA [GREATER SERBIA]), and delimited with Serbia's borders—even according to the present Yugoslav map—has now become the entire Serbian ethnic region, again with some compression at the expense of Macedonia, or "Southern Serbia"—"if there is no agreement on Yugoslavia's federal system." Consequently, there would be "two Serbian states—Serbia and Montenegro, Serbian Bosnia-Hercegovina, Serbian Lika, Serbian Banja, Serbian Kordun, Serbian Baranja, or, more simply, up to the Karlobag-Karlovac-Virovitica line."

Although the party that won 192 seats in the National Assembly catastrophically defeated its opponents thanks to its restrained alternative for achieving the national program ("for a modern federation of equal citizens and equal federal units, as a system that has an advantage over the centralist one, which does not guarantee national equality, and over a confederation, which could not survive here"), the Socialists are increasingly adding to the federal imperative an answer to the question "What if." And it reads as follows: The borders between the republics are only administrative ones.

In that sense, the establishment of the Ministry for Relations With Serbs Outside Serbia becomes a sort of least common denominator for all those demands like those of the Serbian National Assembly and the Council for National Salvation, but also a way of unofficially coordinating the activities being conducted "in the name of the Serbian people in Bosnia-Hercegovina and the Serbian Krajina" by the Serbian National Councils there. Again, this is in case there is no agreement, and the only agreement in the interest of the Serbian people—not even the National Assembly denies this—is the federal platform contained in the joint report by the Serbian and Montenegrin state presidents at the summit in Sarajevo.

A similar thesis is also supported by the arguments of most of the Serbian intelligentsia. Dobrica Cosic, for example, in his book *The Serbian Question* (he was not willing to talk to BORBA about this), feels that the

historically and ethnically based reasons for a federation "are essentially adequate for a democratic and modern civilization, and so from a reasonable national and political point of view they cannot be disputed." He also feels, however, that "the salvation of Yugoslavia through undemocratic methods and means in the name of Yugoslav patriotism, as well as its salvation through political blackmail and economic pressure from foreign factors in the name of the European status quo, will not bring anyone lasting good."

The starting point of Prof. Budimir Kosutic is similar. He prefers Yugoslavia (a federal one), and as one of the most important reasons for a different solution for relations between Serbs and Croats (he excludes Slovenes), he cites the "fact that there has been a gap between the Croatian and Slovene peoples, but there never has been between Serbs and Slovenes." If there is no agreement, Kosutic thinks that the Croatian people have a right to self-determination to the point of secession, but the Serbian people also have the same right, i.e., half of the territory of present-day Croatia.

In contrast to Cosic and Kosutic, some other intellectuals who are also called independent (for instance, Dr. Veselin Djuretic) think that two other alternatives are the only possible ones—either an integral Yugoslavia (without republic borders), or a Serbian state in its full historical, ethnic, and spiritual framework, as a unified state for all Serbs of Orthodox, Catholic, Moslem, and other religions. As the first proof of the seriousness of their thesis, in cooperation with several opposition parties (the Serbian Socialist Party has also responded), they recently announced (and in some cases organized) rallies in connection with the events in Croatia in "all Serbian federal units," as the invitation said—from Belgrade, Podgorica, Banja Luka, and Nevesinje, to Knin, Beli Manastir, and Kumanovo...

There is thus almost no dilemma over whether Serbs, even in the event of the collapse of federal Yugoslavia, will live in a single state, among Serbs; but this opens up a new question—how to settle relationships in such a state entity, which will again be a multinational one, and would be an "abbreviated Yugoslavia?"

[27 Feb p 7]

[Text] Aside from the clear indication that a future Serbian state, in the event of the collapse of the Yugoslav federation, would have to have within its borders all territories where Serbs were a majority population according to the last prewar census, political and intellectual thought in Serbia does not, at least officially, have a precise vision of the arrangement of such a state.

Some of the academics whom we asked to talk about this issue (Antonije Isakovic, and Vasilije Krestic) politely refused, with different explanations ("Ask someone else" and "I only deal with history"). Others, in turn, primarily the leaders of the opposition parties, do not want to "get ahead of themselves." We received a quite sincere answer from the leadership of the Serbian Renewal

Movement: "We have always spoken first, and then others either usurped it or attacked us. It is the ruling Serbian Socialist Party's turn to take a position first of all on all the important issues, including this crucial one."

### Hesitation and Optimism

The extent to which a wait-and-see strategy is being followed in the highest Serbian leadership is vividly shown by just one randomly chosen answer to a deputy's question about the possibility of dual citizenship for Serbs living outside Serbia, which the Executive Council (at that time) delivered to deputy Milan Paroski. The answer literally reads: "The legal regulation of a large number of vital issues and relationships will depend on the outcome of the agreement on the future of Yugoslavia; this includes the settlement of the problem of citizenship as well."

Certain arbitrarily selected smaller parties are much more cunning in their demands for putting the "common Serbian future" on the agenda. For instance, Mirko Jovic, the leader of the SNO [Serbian National Renewal], who at the beginning of last year was the only party leader who allowed the confederal possibility of an association with Slovenia and Croatia, if Serbia could first be established within its historical borders, was very specific. To start with, in fact, his party is demanding that all the federal bodies be moved out of Belgrade, "because everything federal is also anti-Serbian at the same time, starting with soccer representation." In Jovic's opinion, this would solve many Serbian problems, and Serbs could devote themselves to putting their own state in order.

However, how can one put in order a state that would actually be Yugoslavia with a somewhat smaller area, but the same ethnic diversity?

The optimists (as one can call the signers of the frequently cited "Commuque from the majority of the Serbian opposition parties, a group of independent intellectuals and associations, the Emigrant Organization, and the Association of Serbs From Croatia") see the Serbian state as an organically unified community of "Serbs of Orthodox, Catholic, Islamic, and other religions." For that purpose, first of all, they are planning "a strategic agreement with the Holy See in order to ensure full religious freedom for Catholic Serbs," while an agreement with Islamic Serbs would be even simpler, according to the same source. In support of this, the signers of the appeal emphasize the "specific autonomous positions of the two religions," but also the geopolitical reasons which have accentuated and will increasingly accentuate the "cultural and historical unity of the two parts of a united people, as the basic condition for its comprehensively rich identity."

### Ties to the Yugoslav Option

Profesor Budimir Kosutic also sees a possible new Serbian state in terms of the possible legal and other difficulties in its functioning, and is much more cautious:

"I support the survival of Yugoslavia itself, because otherwise many issues cannot be settled peacefully. In the second place, the creation of any national state, including a Serbian one, will not solve a single aspect of the economic disaster in which Yugoslavia finds itself, not to mention the fact that no such future state would be nationally homogeneous. No one's departure from the present Yugoslavia can be challenged, however. In that case, those who would remain (Serbs, Croats, Moslems, and everyone else) would build a community of equal citizens and peoples. I, and I believe the vast majority of the Serbian people as well, certainly will not want a greater Serbia in which other peoples will be ethnic minorities."

The problem of exercising human and civil rights is also dominant in the views of Professor Dragoljub Micunovic, the president of the "party that emphasizes democracy above all, because it thinks that it is precisely by democratic means that the Serbian question can be resolved." Although he thinks that "an agreement on Yugoslavia would be the wisest solution, because otherwise problems would be created in mixed areas," Micunovic recently proposed ("so that time does not leave us behind") that the National Assembly initiate the creation of a serious national program for the Serbian people, and received the official response that this already existed in the form of the new Constitution of the Serbian Republic.

Naturally, the Constitution, aside from concern about dispersed Serbs, does not mention anything definite about the problems for a back-up state solution. Even the possible Serbian-Montenegrin state alliance that is being considered a "fait accompli" is being linked exclusively to the Yugoslav option in authoritative circles. The only thing that possibly does not fit into the legacy of Aleksandar I the Unifier is "testing" the effectiveness of the Serbian state in diaspora, for example, the Vojna Krajina. If the experiment in creating a state out of stones and a correspondence-based economic foundation is successful, it cannot be disputed that in the event of Yugoslavia's breaking up, at least two such states (because of an unfavorable ethnic map) will also arise in today's Bosnia-Hercegovina, only from the Serbian side... Will the Serbian people react to that, at least as "our and their" leaders assert, exclusively by looking through rifle barrels, and will explosive Kosovo and turbulent Sandzak then become active again? Neither politicians here, nor any other worthy politicians throughout "Versailles-Comintern-Vatican-Greater Serbia" Yugoslavia have any answer to this; but often a nondenial is the same as nodding one's head.

**CZECHOSLOVAKIA****Defense Minister Dobrovsky Interviewed**

*AU024121191 Sofia NARODNA ARMIYA in Bulgarian  
27 Mar 91 pp 1, 4*

[Interview with Lubos Dobrovsky, CSFR minister of national defense, by Senior Lieutenant Krasimir Uzunov; place and date not given: "My Life Is My Credo"]

[Excerpts] [passage omitted] [Uzunov] What is your personal opinion on the Warsaw Pact, which will be dissolved within several days?

[Dobrovsky] I do not think that this issue is a matter of private opinion, but rather a result of the fact that a while ago we signed a protocol in Budapest, whereby we eliminated all military structures of the Warsaw Pact. We hope that the other political structures, which indeed no longer represent anything, will soon be eliminated by another agreement between the member countries.

[Uzunov] How would you describe Czechoslovak military doctrine?

[Dobrovsky] I will be brief, because these things are well known and have been said many times in the past. The new military doctrine is defensive in principle. The Czechoslovak Army has a single task—to defend with its own force the sovereignty, independence, territorial integrity, property, and life of the citizens of the CSFR. This must be done without direct military cooperation with any other army. The implementation of this military doctrine presupposes rather complex and profound internal changes. This involves changes in the Army's structure, as well as changes in many military units by redeploying them, eliminating a part of them, and forming new units. The CSFR foreign policy, as the foreign policy of all European countries, will be conducted in accordance with the Helsinki process, and aimed at strengthening mutual confidence among the states, and further reducing the number of troops and arms. Thus the reasonable sufficiency concept will acquire its real meaning, i.e., the Army will be as small as

necessary for defense, while being unable to conduct military attacks. [passage omitted]

[Uzunov] We live in a changed Europe. International relations have acquired a new character. How could we, as the military, facilitate the development of the all-European process?

[Dobrovsky] In all areas, not only the sphere of defense, but also in the political and economic spheres, our policy, as well as the Bulgarian policy, and the policy of all states which participate in the Helsinki process, aims at establishing bilateral international relations. Naturally, contacts between the armies are an integral part of those relations. However, those contacts will not grow into military pacts or treaties on joint military activity. They will relate to exchanging information, affording the possibility of training officers and military personnel in the higher military schools of the separate countries, and cooperating in developing mutual acquaintance and understanding. Thus we will know what to expect from each other. [passage omitted]

**Eastern Military District Troops Begin Relocation**

*LD0204144291 Bratislava Domestic Service in Slovak  
1000 GMT 2 Apr 91*

[Summary] Relocation of troops has begun in the Eastern Military District. One motorized artillery battalion from the Bratislava garrison has been moved to the Komarno garrison. Major General Pavel Holvek, chief of staff of the Eastern Military District, gave a briefing to journalists today in Trencin. He said that the relocation process will require 240 organizational changes. It will take place in three stages, the most important of which will take place in 1991. The transfer of units from the Western Military District to Slovakia is being planned, but concrete details cannot be published at present. During relocation, problems are expected concerning construction work at new military sites. Housing for professional soldiers is also expected to cause problems. Apartments vacated by the Soviet Army will only provide a third of the amount needed. They also require extensive repair work, for which there are insufficient funds at the moment.

## CZECHOSLOVAKIA

### Czechs Seek Joint Ventures, Investment, Trade

91AF0836Z Nairobi SUNDAY NATION in English  
17 Feb 91 p 13

[Article by Nixon Kariithi]

[Text] Four investors from the recently-formed Czech and Slovak Federal Republic (formerly Czechoslovakia) are seeking joint ventures in Kenya worth millions of shillings.

The Czech and Slovak commercial counselor to Kenya, Mr Pavol Lestak, said on Friday that the new lines of investment being sought were aimed at boosting trade between the two countries.

Mr Lestak was addressing members of the Kenya External Trade Authority (Keta) at the presentation of a report by a fact-finding mission sent to Czechoslovakia by the Ministry of Commerce last year. The meeting was chaired by Keta chairman, Mr Nicholas Gor, and attended by the Director of External Trade, Mr Rem Ogana.

The commercial counselor said joint ventures were being sought in the fields of glass-making, tractor assembly, and a ceramic wall and floor tiles manufacturing plant.

He said his country boasted a long tradition in glass-making and manufacture of ceramic products and wished to share its innovation in these fields with Kenyan entrepreneurs.

Such industries would be well supported with readily available raw materials and a large market in the Preferential Trade Area (PTA) region, he added.

For a start, a Czech firm is offering a complete joint venture for the setting up of modern floor and wall tiles factory. The firm will provide, among other inputs, machinery and technical know-how valued at about \$15 million (Sh375 million).

About assembly of tractors locally, Mr Lestak said the offer was received at the Embassy several years ago but had not been taken up by Kenyan investors.

He suggested that a permanent joint commission on trade be established in order to promote trade and economic co-operation between the two countries.

Mr Lestak urged the Government to appoint a commercial attaché in the Czech and Slovak Republic to oversee trade activity in several eastern European countries.

Mr Gor said Kenya hoped to improve trade relations especially in the fields of wattle extracts and fresh horticultural produce.

Mr Gor assured the diplomat that the Government had speeded the processing of visas to Czech businessmen and investors wishing to travel to Kenya.

### Ostrava Becomes First Free Trading Zone

AU0204142391

[Editorial Report] Bratislava PRAVDA in Slovak on 29 March on page 2 carries the following 20-word CTK report: "Ostrava is the first city in the CSFR to have received a permit from government authorities to operate a duty-free zone." Bratislava HOSPODARSKE NOVINY in Czech on 29 March on page 2 carries a 150-word unattributed report on the founding of the "Free Zone Ostrava shareholding company" to operate a free trade zone in the city. The company, which has six unidentified "founders," will go into operation on 1 May 1991. According to the HOSPODARSKE NOVINY report, the company hopes to capitalize on Ostrava's "good infrastructure," which should attract foreign capital.

### Agreement Signed With German Car Makers

AU024133091 Prague CTK in English 2308 GMT  
28 Mar 91

[Text] Prague March 28 (CTK)—The main agreement on setting up the Skoda car-making joint stock company based in Mlada Boleslav, Central Bohemia, whereby Skoda joins the Volkswagen family associating independent firms Audi, Seat, VW as of April 1, 1991 was signed in Mlada Boleslav today.

Czech Deputy Premier Frantisek Vlasak, who attended the signing of the agreement, described it as an important step for Czechoslovakia's economy and a significant step of the Czech Republic on its way back to Europe.

Volkswagen President Carl Hahn said Volkswagen was proud of being Skoda's partner, adding that he believed in Skoda's success on world markets.

Volkswagen's aim is to double the production of Skoda cars within ten years (up to 400,000 annually), with one-third up to 25 per cent of cars remaining on the Czechoslovak market. Investments are to amount to roughly 9,000 million marks by the year 2000. Ninety percent of the building investments will be undertaken by the Czechoslovak side which is also expected to provide 45 percent of machinery and equipment. Czech Industry Minister Jan Vrba said that part of the deal is a two-year tax break. In the initial period Volkswagen will have a 31-percent stake in the company, which is to increase to a full 70 percent by 1995.

Agreement on Skoda joining the German carmaker was reached last December when Czech representatives gave preference to Volkswagen over the French Renault.

### Minister Discusses Social Safety Net

91CH0432F Prague HOSPODARSKE NOVINY  
in Czech 26 Feb 91 p 3

[Interview with Petr Miller, federal minister of labor and social affairs, by Lubomira Cizova; place and date not given: "The Safety Net Has Been Woven"]

[Text] [Cizova] The Federal Government has approved the program for a social safety net, after two discussions in cabinet. What changes have been made in the net after the first discussion?

[Miller] The government regards the creation of a social safety net as an important part of the economic reform, and therefore it has devoted considerable attention to it. First of all the government deemed it important to express the close mutual relationship between the set of measures contained in the net, on the one hand, and the economy's performance, on the other hand. Furthermore, it has been necessary to update the individual parts of the program, in accordance with the concluded General Agreement. An important change that has been made is the significant strengthening of the active elements, especially in employment. This is an important shift, one which starts out from the realization that loss of employment is the most serious social situation, and that therefore emphasis in the safety net must be on active measures aimed at creating new job opportunities and speeding up the worker's return to gainful employment, on preserving the worker's skills during the necessary period before he finds new employment, including also the duration of possible retraining and while he is on social security. Naturally, this emphasis does not weaken the function of the social safety net itself, which should guarantee every citizen a minimum level of assistance in serious situations that he himself is unable to master alone, so that no one will sink into poverty through no fault of his own.

[Cizova] Then the social net is already able to start functioning?

[Miller] Most elements contained in the net are practically functioning already. Laws have been enacted on employment and higher pensions, and agreement has been reached on the questions of wage development and the minimum wage. Changes in sickness insurance have been drafted, and an increase of the maternity grant is being proposed. In welfare assistance, the use of a higher limit of social need has been recommended. All these are significant developments.

[Cizova] How are the individual spheres interconnected?

[Miller] The system's basic unifying element is the determination of the subsistence minimum for various life situations. The subsistence minimum specified by law replaces the limit of social need used up to now, and all other minimal benefits are and will be derived from it. The limit of pensions as the sole source of income, and the minimal limit of assistance for the unemployed will be maintained at the level of the subsistence minimum. The level of the minimum wage ought to be about 10 percent higher. In my opinion, the General Agreement has set a yet higher minimum wage, which could cause problems in unemployment. For it is necessary to proceed in a way that maintains the proportions between the individual types of income, so that earned income does not lose its motivating character, while transfer payments

are kept at a level that is tolerable both from the viewpoint of living costs and of what the state can afford. These principles apply also to adjusting earned income and transfer payments to the rise in the cost of living. That should alleviate as much as possible the negative effects of the new economic situation.

[Cizova] Public criticism is being voiced that the government has already solved the needs of pensioners, but has done nothing so far for the families with children.

[Miller] I could object and point out that the government has approved the draft of a law on sickness insurance, which intends to raise the maternity grant from 2,000 korunas [Kcs] to Kcs3,000, but basically you are right. And it is necessary to explain why proposals concerning the family must come last. The needs of the families could not be specified earlier, because those needs are supplied primarily from the parents' earnings, rather than from transfer payments. Therefore it has been necessary to reach agreement first on the questions concerning wages and their development. Only after the clarification of the development of wages, of the level of the minimum wage, as well as of the minimal pensions and their increase, and after an evaluation of the development of prices, is it possible to propose supplementing the parents' income with transfer payments, so as to prevent the families from falling below the poverty line, and to consider the feasibility of maintaining the present level of overall assistance to families. An analysis of the development of unemployment also provides a more realistic picture of the need for such assistance. We are aware that the regulation of wages and unemployment are limiting the parents' ability to earn more to cover the costs of raising their children, and that temporarily it will be necessary to provide help for the families.

[Cizova] But the public expects immediate assistance.

[Miller] The recommended increase of the limit of social need provides the legal conditions for solving emergency welfare cases. The first steps have already been taken in early January. The preparation of further steps will start out from an analysis of the development of living costs in January and February. We must have objective comprehensive data, because measures to help families are very costly. It is quite obvious that living costs rose sharply in January, but we believe that only February or March will enable us to identify the beginning of the trend over a longer period. Knowledge of this trend is necessary for the allocation of resources by objectives and over time, and to choose the mechanism for helping families. The increases in the prices of heat and sources of energy have yet to come, and it will be necessary to incorporate in the solution also the compensation for the price increases. Furthermore, the proposed actions must not conflict with our intention to reconstruct the entire system of assistance to families by the date of the tax reform, i.e., by 1993.

[Cizova] The government has instructed you to present successive proposals for further progress. What will you be proposing in the near future?

[Miller] After evaluating the rise in living costs during January and February, we will prepare alternative proposals for raising the state compensatory allowance for children, and that will have to be solved in the form of legislation, in view of power sharing. In the same way we are preparing a draft law on the minimum wage. These proposals could be considered in cabinet by mid-March, and then it would depend on the speed with which the legislation is enacted. At the same time, we are beginning work on drafting the principles of a new concept of state assistance to families; the federal cabinet should be able to discuss it by the end of this year.

[Cizova] In the reports on the federal cabinet's discussion of the safety net, there appeared formulations to the effect that the safety net's realization would depend on the availability of financial resources. Does this mean that there will be no safety net if there are no resources?

[Miller] Unfortunately, that is greatly simplified and not in agreement with the facts. The document on the social safety net consists of two parts. There is the safety net itself that consists of various minimal amounts and guarantees, and then there is the part of adjusting earned incomes and transfer payments to the rise in the cost of living.

The social safety net proper contains measures on providing employment and unemployment assistance, on the minimal wage, on provisions for needy citizens and families with children, on raising low pensions that are the only source of income, and on guaranteeing minimal standards of housing and access to institutional care. These guarantees are in effect and have been budgeted for. Their provision I regard as the duty of the state, as well as the minimal condition for the economic reform's social permeability. There is nothing here to question or to make conditional. The second part of the net—i.e., the adjustment of earned incomes and transfer payments—is another matter. It is in the nature of a program, and realization of the measures contained there is closely linked to the economy's performance and to the feasibility of noninflationary financing.

#### Transportation System in Market Economy Viewed 91CH0445D Prague HOSPODARSKE NOVINY in Czech 28 Feb 91 p 8

[Article by Eng. Zdenek Slezak, Transportation Research Institute, Prague: "Will the Market Economy Bypass the Railroad?"]

[Text] A functioning market economy cannot get by without a functioning transportation system. Market techniques in transportation evolve at two fundamental levels. The first level comprises the mutual interaction of

individual transportation sectors. This includes the relations between railway, road, water, and air transportation represented by the Czechoslovak State Railways [CSD], Czechoslovak Automotive Transportation [CSAD], and the Czechoslovak Airline [CSA], as well as the domestic water transport enterprises, the Czechoslovak Danube Fleet [CSPD], and the Czechoslovak Elbe-Oder Fleet. This transportation market existed to a limited extent when we had a managed economy. Competition between public carriers occurred independent of the plan and various government conceived strategies and coordination efforts in government transportation and customs policies.

The second, much more important level of market relations in transportation is the free competition between individual transportation companies within and outside a single transportation sector. This kind of competition has been absent in the past. Competition between individual transportation sectors has also been limited. Certain types of transportation for certain cargoes and distances are not substitutable. For example, when transporting bulk cargoes over long distances where there are no water routes, the railroad is the only potential carrier. The railroad therefore has a monopoly on this type of transportation. So long as the CSD remains the only railroad operating on our rail lines, it will be a monopoly transporter of bulk cargo.

#### Set Up Identical Starting Conditions

Deregulating the market and therefore the transportation market means creating the same starting conditions for its participants. A government that has the requisite financial resources in the form of taxes and government subsidy policy can regulate these conditions. However, the starting conditions for railway transportation on the one hand, and road, air and water transportation on the other are not identical. The railway covers with its revenues operating, maintenance, and new rail line construction costs. Government contributions to these activities are irregular, inadequate, and so far are not provided according to any formula. In the other sectors, the government pays all the costs of operation, maintenance, and route development. Another critical difference between the railways and other transportation sectors is that firms needing road, water, and air transportation have alternatives to the CSAD, CSPLO, and CSA for transporting both people and goods, and in fact take advantage of them. The only alternative for moving goods by rail is the CSD.

Based on a proposal by the Ministry of Transportation, the Federal Government examined the transportation situation last October and decided that by 1993 the government will assume full financial responsibility for the railway infrastructure. The infrastructure includes the roadbed and permanent ways, structures such as tunnels and bridges, communications and safety equipment, buildings and structures used to manage the transportation process as well as those used for the travelling public; these include warehouses and maintenance

shops. The infrastructure also includes all traction and feeder lines and all high voltage equipment, including alternative sources. Operations management, i.e., station management and dispatcher services, are not now included in the infrastructure.

### Changes Do Not Keep Pace With the Times

The government proposal is motivated by the need to develop a similar economic approach by the government to the railway infrastructure as it has to other transportation sectors. The objective was not, however, the deregulation of the conditions governing and access to the transportation market, but merely to transfer financial responsibility for the status of the railway network from the government organization CSD to the government, as well as to establish conditions under which the government assumes responsibility for costs related to the infrastructure. The proposal resolves, in other words, only the question of how railway transportation will be financed, not how to establish market relationships in transportation. This is clear from the fact that the proposal completely omits mention of the monopoly position of the CSD in its part of the transportation network, and by the fact that the proposal does not include operating costs as part of the railway infrastructure. Moreover, the three years proposed for the change does not correspond to the pace of the changes expected over this time in the national economy, especially in its more complex areas. This is not a proposal for shock treatment for the railways.

Even after full implementation of the government resolution in 1993, the sole user of our railways will be the CSD. This privilege, however, is totally incompatible with the need to create a transportation market, and does not contribute to strengthening market forms of management, which are intended to help integrate the CSFR into the European Economic Community.

The efficiency of the railway network, appropriately reduced in size, has to improve dramatically in a very short time, for both domestic and international transportation. The efficiency of utilization of the network, and therefore the efficiency of railway transportation, must improve significantly in order to survive in competition on both the domestic and international markets. When looked at this way, it appears that the potential of the CSD has been exhausted, as a monopoly transporter. In order to achieve the necessary impact, measures must be taken to radically reduce the costs both of the infrastructure and operations. Inefficient routes have to be eliminated, energy consumption, the number of locomotives and crews significantly reduced, and other rationalization measures taken for the CSD to emerge from permanent problems. At the same time measures must be taken to allow access of private and foreign capital to the business aspects of railway transportation.

The future development and economic use of the railway network will require that the movement of cargo and

people be differentiated from the operation of transportation routes. The above mentioned government resolution took the first steps in this direction. Although the step was motivated by considerations other than creating a climate for the startup of market forms of management, it can contribute to the development of a transportation market with some modifications. In any event it is necessary to separate the administration and economics of the railway infrastructure from the movement of cargo and people, i.e. railway business activity. In the first stage the government should administer transportation routes. The economic management of transportation routes should be performed by a government contributory organization. Two such organizations are as good as one. Under no circumstances should the breakup of the network become the object of authority conflicts between the federation on the one hand and the republics on the other. There is no reason not to decentralize the administration of the railway infrastructure from the federal to the republic level. One way to deal with this issue would be to treat the administration of railway, road, water, and air routes the same way.

### Who Will Open Businesses?

It will be possible to open businesses related to the railway infrastructure. The CSD or other railroads moving cargo or people will have to pay for the use of the rail lines and supporting equipment and facilities. The administrator of the railway lines must issue regulations for the use of the lines, and the rates and payments required in order to use the lines and supporting facilities. These payments, government subsidies, and bank loans would then combine to assure the operation, maintenance, and development of the railway infrastructure. The conditions, rates, and payments for use of the railway infrastructure must be the same for all users. They can, however, be different in the Czech Republic [CR] and in the Slovak Republic [SR], as well as on certain sections of track that are particularly difficult.

The above mentioned government resolution is a halfway measure in terms of deregulating the transportation market. It resolves partially, to be sure, the issue of the financing of the railway infrastructure, bringing this closer to the infrastructure financing conditions for other transportation sectors. It completely ignores, however, the monopoly position of the railroad in the use of railway lines. It would be somewhat ironic if the Ministry of Transportation would now submit a revised form of the government resolution suggesting that in the interest of equalizing starting positions the CSAD be given a monopoly position in the use of roads for public transportation, as is the case with the railroads. Of course this will not happen. Even so, a new version of the government proposal that deals more comprehensively with the issue of a transportation market and the integration of the CSFR into Europe should be drafted as soon as possible.

Separating the administration of the railway infrastructure from the business of moving cargo and people is not

motivated in the countries of the European community by the need to obtain government subsidies to maintain and build the railway infrastructure, but by the need to create the conditions for a railway transportation market. The objective is to provide businessmen interested in moving goods by rail access to railway routes.

If one thinks that the administrative and accounting separation of the railway infrastructure and railway business can be accomplished prior to 1993, we should also immediately formulate conditions under which people can open railway transportation businesses. The conditions under which an organization could function as a railroad enterprise cannot be worse than those under which the CSD currently operates. Establishing a railroad that will use the railway network to transport people and cargo, even if on a lesser scale, will not be an inexpensive undertaking. Only organizations with a strong capital position would have a chance. Possibilities include large trailer owners, corporations operating with foreign capital, or foreign railways. We can assume that no one in the CSFR will have any interest in this type of business initially. What will be important is that the possibility exists in the CSFR to do so. If the railway infrastructure in the CSFR can be used for business by organizations other than the CSD, and we will have to allow this possibility if we want to enter the European Community, then the division of the CSD into two enterprises, a Czech and a Slovak, appears in a different light. If another national or international organization is running a business alongside the CSD on the Czechoslovak rail network there is no reason why the CSD cannot divide into two or more firms.

#### No Way Without Competition

None of the specific conditions so gladly mentioned in relation to the railways prevent this. The CSA, for instance, has many more reasons for retaining a unified organization, including the fact that outfitting a fleet of modern planes is beyond the economic means of a single republic.

Within the Czechoslovak State Railways, whose tradition comes from the royal-imperial Austrian government railways, ideas about others than the owner of the network using the network for business are too far ahead of their time. The sooner we get used to them, however, the better. To say nothing of the fact that on our territory in the past, when there existed several privately owned railroads, this kind of transportation was practiced. The long distance trains of one railroad were pulled by another railroad for payment of a user fee. Currently there is a similar arrangement in transitional track sections in border areas. Here it is commonplace for certain sectors of track belonging to one railroad to be used by another railroad for a fee.

Dividing the CSAD into two or more firms that would compete with each other would certainly improve the quality of transportation. There is no way that such a separation could be an obstacle to incorporating the

Czechoslovak economy into the European Community. On the contrary it would significantly increase the adaptability of Czechoslovak railway transportation to the conditions of the European market economy. On the other hand, separating the CSD into multiple units would scarcely in the initial phases contribute to the efficient use of transportation resources and labor.

The main shortcoming of the CSD is its size. Concentrating all business and support activities into a single enterprise does, however, have historical roots in our country. Recently such gigantic enterprises were justified by the complete falling apart of supplier-customer relations. This situation continues today. Under past, and unfortunately current conditions, no enterprise that must operate continuously can count on a supplier. Firms therefore have to have auxiliary operations and productions under their control as well. If however the economic reforms that have begun pick up speed as expected the situation should change radically in a short time. Some activities, auxiliary operations, and production could be split off from the CSD even now. The CSD, for instance, owns an entire fleet of trucks, including some specialty vehicles. A significant percentage of these vehicles could belong to trucking companies, or specialty firms, as is the case throughout Western Europe.

If these activities are separated from the CSD and independent businesses formed, all conflicts concerning authority are eliminated. Enterprises performing these services that are headquartered in the CR will be integrated into the CR economy, and those headquartered in the SR integrated into the SR economy. In fact these activities must be spun off from the CSD, even if there were no authority conflicts in the area of railway transportation.

What will remain of the CSD after spinning off the infrastructure and auxiliary operations? The CSD will own a fleet of passenger cars and trucks, a fleet of locomotives, and will be responsible for their operation, management, and commercial utilization. Temporarily it will also operate stations and dispatcher services. The CSD will transport people and cargo and will book the revenues for that transportation. These revenues will cover the costs of the fees paid to use the tracks as well and to pay for the goods and services of companies providing auxiliary services.

The current situation, in which relations between individual economic entities are managed directly, rather than using financial and economic tools, is not viable. The CSD, a firm with 200,000 employees, keeps basically one set of accounts. Internal economic organization is inefficient because operating services, whose measures affect performance, have unlimited authority but no economic responsibility. Take for example the management of the truck fleet, track closure policies, etc., subjective decision making that allows the movement of entire freight trains with no cargo, placing huge strains on the network, without any economic calculations.

Once a payment has to be made to move empty freight cars, people will make these decisions more responsibly.

If I am pointing out the economic advantages to atomizing the Czechoslovak Government Railways into independent businesses it is not because I deny totally the utility of large companies that provide a certain group of activities comprehensively. I am concerned that we correct the mistakes of the past. In railway transportation we experienced a large centralization not too long ago. Eliminating the economic independence of a number of enterprises was implemented under the so-called restructuring of the economic mechanism in 1989. At this time many repair shops for freight car, restaurant and sleeping cars, many other organizations, including individual administrative offices, lost their economic independence. Even though the economic independence of these organizations, through today's eyes, was insignificant, it was no less than the economic independence of the other entities in the national economy.

It would of course be absurd, under the conditions of the current economic reform, to return to the status prior to the restructuring of the economic mechanism. What is important is that we remember that a unified CSD in today's form has existed for no more than two years and that it assumed its current form at a time when the central technique of national economic management found itself in a very profound crisis.

**Center for Democracy and Free Enterprise Explained**  
91CH0445C Prague HOSPODARSKE NOVINY  
in Czech 28 Feb 91 p 7

[Interview with Dr. Ladislav Venys, founder of Center for Democracy and Free Enterprise, by Jan Urban and Libuse Bautzova; place and date not given: "We Provide Economic Advisers Promptly"]

[Text] We met Dr. Ladislav Venys at a seminar held at Charles University at which professors from the University of Chicago formulated their recommendations for the privatization process in our country. The seminar was organized by the Center for Democracy and Free Enterprise, of which Dr. Venys is the director. The initiatives of the center caught our eye, so we asked Dr. Venys for an interview.

[HOSPODARSKE NOVINY] Doctor, when and how did your center come into existence?

[Venys] The Center opened on 1 January this year. It represents the Foundation for Democracy and Free Enterprise, which I founded with an American friend about nine months ago. We are a nonprofit organization, dependent, I would say, totally on contributions. Nevertheless, under Czechoslovak laws and regulations we have the opportunity to make money. What we do not earn to cover our activities we receive from the United States.

[HOSPODARSKE NOVINY] How does the center function and what is it for?

[Venys] The primary mission of this center is to assist in economic and political reforms. This is why we call ourselves the Center for Democracy and Free Enterprise. At the moment we are concentrating more on economic matters and are attempting to provide promptly advisers to the "economics" ministries. We provide quick training, making use mainly of contacts that we have in the United States. We find housing for the advisers and pay for their stays, and sometimes contribute to travel expenses. So far we have arranged two seminars, and have hosted two advisers from the United States. This has resulted in a publication, *How To Prepare a Successful Business Plan*, based on which people here can obtain financing from American banks, foundations, individual investors, and from business partners. The publication should become available exactly one day after the newspapers announce that the United States for CSFR Investment Fund has been freed up in the United States.

The planned seminars will discuss how to invest in Czechoslovakia, what foreign investors think about before investing here, what conditions we need to create for foreign investors, and there will be a large seminar on how to manage corporations and stock companies. The final project will be held in June, most probably in conjunction with Plzen Skoda. At the request of the federal parliament we are organizing a seminar on democratic processes in European and world parliaments, which should be held in April. In October, in conjunction with the World Bank MIGA [Multilateral Investment Guarantee Agency] we are organizing a large conference called Investment Promotion in Czechoslovakia. I negotiated this with the World Bank in the fall, and now it is beginning to pick up speed. In November we are planning an international conference on the development of infrastructure in Czechoslovakia with the assistance of foreign capital. This implies that we are focusing mainly on the entry of foreign capital into our economy. In the political sphere we have so far maintained a low profile. The seminar on democratic processes developed for the parliament, is the exception so far. We all feel that the economy is more important at present.

[HOSPODARSKE NOVINY] What other money-earning activities do you operate?

[Venys] None at present. We have some resources from an American foundation. Soon however the foundation may stop giving us money. If this happened we would fail unless we had other money making activities. We are therefore developing the conditions for cooperation with different foreign firms interested in conducting privatization projects here, for instance. Each such project would include positions for one or two of our people, and our center would receive a fee for arranging things, providing certain guarantees, and the like. Even though this will not be much, several tens of thousands of korunas will allow us to hire more people and put them

to work. Right now I have lots of things to do, and very few people. But during the first year or two I want to become independent from American funds.

[HOSPODARSKE NOVINY] How many people do you employ?

[Venys] We have four employees. My deputy is an American who is currently the head of our foundation in the United States. I also employ an economist with an entrepreneurial bent, and an assistant. I assume that we will have about ten people six months from now. We are having huge problems finding office space.

[HOSPODARSKE NOVINY] What impressions are the Western economists, whose visits you arrange, getting from their meetings with our ministry representatives?

[Venys] Various impressions. In many cases they meet with people who are incapable of thinking in new ways. They say that the most enlightened people are in the Federal Ministry of Finance, and that at other ministries they frequently encounter misunderstanding. The situation is no different at the Ministry for Privatization, but still could be much better. At present this ministry is focusing on small privatization, while my advisers are coming here to advise on preparations for large privatization. We frequently encounter less flexible attitudes at the Ministry of Industry, but even there one can find enlightened, mostly younger people.

[HOSPODARSKE NOVINY] Have any specific projects resulted from your talks at the ministries?

[Venys] We have initiated a large project in cooperation with the Czech Republic Ministry of Industry. The project should result in an opportunity to obtain resources from the American Agency for International Development (AID). We plan to use this money (about one million dollars) to set up several model privatization projects. The 300 million korunas [Kcs] set aside this year for 100 privatization projects for the entire republic clearly will not be enough. I estimate that the requirements are five times as great. Along with the money it will also be necessary to find experts who know something about property assessment, and especially how to integrate these estimates with future projections of the economic performance of a given firm. We have already set up such teams. One of them was formed in early February in the United States and uses the facilities of the International Finance Corporation [IFC]. This international privatization group is financed both by the American Government and by various private corporations.

[HOSPODARSKE NOVINY] So the Ministry of Industry has been receptive to your projects?

[Venys] I must admit that they were somewhat shocked that we proposed setting up model projects for selected firms. They were shocked that the projects would be carried out totally by someone from the West. I made it clear to them therefore that our people would also be

involved (and that they will be actually training during the course forming the privatization project, including the assessments), and that almost all the financing will come from abroad.

[HOSPODARSKE NOVINY] Does this mean that our firms will be able to approach you in the future for help in developing a privatization plan?

[Venys] They can, if the transformation law allows them to prepare a privatization project themselves and be responsible for it. This would make it much simpler and more flexible because enterprises can, under these conditions, compete to see which one can develop the best privatization plan. The management can then choose the best. The question clearly is what kind of management is in place. One brief comment from people who came from Chicago. They contend that it does not depend so much on whether a firm is owned by the government or by stockholders, but rather on its management. This is something that we are not sufficiently aware of, and therefore tend to emphasize ownership too much. A privately owned firm is not necessarily successful and efficient. Quality management is clearly the most important ingredient for success.

[HOSPODARSKE NOVINY] Which firms in the Czech Republic [CR] will be privatized first?

[Venys] As far as I know the first candidates are Tech-noplyn and Cedok. These are firms to be privatized as models, even though they are completely different. Actually this is probably the reason they were selected. After this we learned something of great interest, that we would be able to select as a subject for privatization a mediocre firm, either in the North Bohemian Brown Coal Basin or near Ostrava. Our colleagues from the United States are willing to try anything. In other words, we will leave the easier privatization projects to the well known businesses, and we will try to make our own name by attempting something difficult, for example, trying to privatize the Melnik electric power plant, when the power generation sector gets to the front of the line.

[HOSPODARSKE NOVINY] Let's return for a moment to advisers. How do you recruit them and, mainly, to whom do you offer them?

[Venys] Currently we are preparing programs in cooperation with a consortium of 16 American universities and business schools, which will provide the advisers beginning in September of this year. Advisers will be business school graduates with at least three years of experience in an American corporation. Our task would be to place them. The initial agreement was that placements would be in small and mid-size corporations. When I explained that there would be only a handful of these, our partners in the United States agreed that the advisers could also be placed in government enterprises slated for privatization. This gives us a great many opportunities. One of my colleagues will be contacting various Czechoslovak corporations, starting with the 60-100 under the Ministry of Industry that are to be privatized first. We will

find out if they have a need for an adviser. The terms are very favorable: they would pay the adviser Kcs 4,000-5,000 monthly, provide housing, and pay a small finder's fee to our center. The Skoda works expressed an immediate need for at least three advisers, and the Ministry of Industry said that it would find places for more. These advisers cannot be placed at the Ministry level or in other government offices, only in enterprises being privatized. Advisers will first be trained in the United States. In the summer they will come here, where we will continue the training, including language courses. They will receive lectures on economics, politics, culture, etc. so they can become acquainted with our environment. I am greatly looking forward to this project. There is a large supply of advisers in the United States. So far I have promised to place more than 25 advisers between September and the end of the year. Right now the Americans have a great interest in us.

[HOSPODARSKE NOVINY] So far we have spoken about foreign assistance in the form of advisers. What are your views on foreign investment? Do you think there are positive conditions in the CSFR for attracting foreign capital, and does your center have any plans in this area?

[Venys] In my opinion the current conditions are not good, even though verbally foreign capital is attracted to us. Foreign firms encounter here interest on the part of our businessmen, but the legislative groundwork is seriously weak. I can speak for the United States rather than for other Western countries. Americans state that they still do not have many guarantees here that, if something happens, they will get back their invested capital. The initial enthusiasm that existed roughly until the middle of last year, has moderated considerably. Now they are more or less waiting. The train is leaving the station for us to some extent, however, in the sense that if something serious happens to our east, say the Soviet Union breaks up into several independent republics, the investors that we now have in the wings may go there. I guarantee you that the Americans will do this. Mr. Klaus says that solid capital will not escape, that the worthy partners will wait. I think he is wrong, and that we should set up solid conditions for foreign capital as soon as possible.

I have the impression that this cautious approach of ours results to a large extent from old aversions and mistrust, the persistent thought that capitalists will come here and blackmail us, that a Western capitalist is basically a con man and does not make his living honestly. As least as far as Americans are concerned I can say that they are for the most part people who would prefer to build long term economic relationships here, and that they would take this task very seriously indeed. Unfortunately, some of our emigrants in the United States assume the role of those who want to make a quick killing and disappear. But a solid American businessman who knows what business is, including the risks, is more inclined to invest in something that will produce a certain profit slowly, but certainly.

[HOSPODARSKE NOVINY] Do you think that potential foreign investors are also reacting to the restitution debates?

[Venys] I think that they react to everything that happens in parliament and in this country generally. While people from the University of Chicago strongly support our system of coupon privatization (and even think that in some cases it should go as high as 60 percent), others, the real businessmen, are quite afraid of coupon privatization. They are afraid, of course, of reprivatization, of restitution, because they do not know what the consequences may be. Neither do we. We are rushing into something that may look completely different in a couple of months. Right now it looks like an unbelievable number of mixups. At least we should have started with restitution and reprivatization last year, right after the elections, if not sooner, so that by now both we and foreign investors would know the score. I think that these socio-psychological matters that for us at least are extremely important, are a huge minus in terms of attracting foreign capital.

American newspapers are already writing about a parliamentary crisis in the CSFR and the like. This does not make a positive impression on American businessmen. They are very much on their guard, and thus would get involved at a maximum in joint ventures. They are, however, fearful of the direct investments that we really need.

[HOSPODARSKE NOVINY] You said that investors from the United States, in contrast to the economic theoreticians, are not convinced of the advantages of coupon privatization. What do they see as its defects?

[Venys] To the extent that I have spoken directly with them about this issue, they think that coupon privatization will mean mainly that they will not be dealing with a solid partner that can engage in serious discussions, that coupon privatization will in effect dilute ownership amongst hundreds of thousands of people. At present we do not have the mechanisms to create investment funds, such as exist in the West, that pool small stock holders. We started to talk about this only recently, but have not yet set the groundwork. We are rushing into coupon privatization, and then we will catch up by creating some funds where poor grandmothers, grandfathers and others who do not know what they are doing can invest their money for a fee or by sacrificing some points for recommendations as to which stocks they should buy with their points. I even understand the concept, it is just that we don't understand how to do it. I do know, though, that it is possible to create a team rapidly that could provide effective advice. However, we should not be afraid that "those from the West" want to deceive us in some way or another.

**Cities, Towns Looking for Revenue Sources**  
*91CH0398E Prague HOSPODARSKE NOVINY  
in Czech 7 Feb 91 p 4*

[Article by Eng. Oldrich Cernik, chairman of the Union of Cities and Towns: "Basis for Self-Generated Income; Question Marks on City and Town Properties"]

[Text] The road to privatization is open. It constitutes an important part of the economic reform we have now started to carry out. Privatization, whether "small" or "large," exempts that part of government property which must be returned to private citizens and church institutions by restitution or out-of-court settlement. And rightly so. It corrects past injustice and the overwhelming majority of citizens agree with this measure. But what about the property of cities and towns?

From their beginning the towns and cities owned and developed their property; for centuries they demonstrably took care of it. The constitutional act on Czechoslovak federation in its revised version of 18 July 1990 recognizes the municipalities' right to own and operate property. The Czech National Council law on municipal order in its Section 4, paragraph 2 similarly recognizes the municipalities' right to their property. The economic reform scenario proposed by the federal government and approved by the CSFR Federal Assembly proclaims complete equality of government, private, cooperative, and municipal property. The legislative program envisages presentation and approval of a separate law on municipal property which is intended to define its extent and management.

Up to this point everything seems in order. The institution of new elected boards in cities and towns effectively returned to the municipalities their legal status. This among other things sustains the municipalities' right to own property which was taken away from them after 1948 precisely because of their loss of a legal status. It also gives them properties managed by the former national committees up to the day of the elections.

**The Law's Unhappy Fate**

It was at about the same time that the Czech Government prepared, approved and presented to the CNR [Czech National Council] a law on municipal properties and also the law on small privatization. There was weighty debate on which legislation has priority. If the law on municipal properties is enacted prior to or simultaneously with the law on small privatization, a certain part of the government property would have to be returned to the municipalities because they had owned it previously or were managing it at the time the law takes effect and the properties could not be privatized by okres privatization commissions. The Association of Cities and Towns and the Union of Cities and Towns (SMO) came forward clearly and openly in defense of municipal interests. From the outset of the

aforementioned dispute they viewed return of municipal properties as a redress of the injustice done to the municipalities.

But to no avail. CNR and SNR [Slovak National Council] rejected the legislation on municipal properties with amazing speed and returned it to the governments for a revision. The interest of thousands of municipalities was pushed aside. No influential political force arose in the parliaments to take the side of the municipalities.

Small privatization has started. Lists of properties slated for privatization begin to include also those which had been previously in municipal ownership. The purpose, which patently discriminates against municipalities, has been achieved. There is an effort to privatize municipal properties and to deny municipalities any fruits of this privatization. What purposes are to be served by the funds obtained in the process?

At various meetings as well as in the parliaments we hear open criticism of SMO and its representatives. It is asserted that:

- Municipal ownership amounts to preservation of the communal (social) ownership, maintenance of the 40-year legacy of the past—in other words, building a thousand socialisms.
- SMO is not a legitimate organization, its policies are "pinkish" and aimed at the preservation of former structures and SMO is presenting outlandish demands.
- Municipalities can not engage in enterprise because only private entrepreneurs can succeed in towns, hence SMO is against privatization.
- Enterprise involves the risk of a bankruptcy and this risk may not be borne by municipalities, and a whole array of contrived arguments.

The intent seems clear: Undermine the authority of SMO which alone defends municipal interests, disrupt SMO internally, try to set up a "single-color" new union, but above all weaken the municipalities' influence on the privatization now under way.

To give weight to the criticisms various "well-informed" examples are being cited, such as that in the Western democracies municipalities do not own property, do not engage in entrepreneurial activity, have their development assured by a dependable tax system which offers them excellent sources of revenue, and so on. We see obstinacy and condemnation when speakers boldly, but without comprehensive and relevant information, without study of our communal history and local government, without knowledge of the theory and practice of self-government, despite the transitional nature of the present period are readying measures and decisions which may seriously affect the future of our communities for decades ahead. These fraudulent arguments are designed to intimidate defenders of the municipal right to property and disguise the true nature of the problem.

**Our Stand**

Cities and towns in Bohemia, Moravia, and Silesia, as well as Slovakia owned properties and successfully managed them without central authorities as early as before the inauguration of the First Czechoslovak Republic as well as prior to World War II. That is, at a time when there was not yet any talk of socialism in our country. They have a legal right to properties they owned prior to 1948 and to those subsequently created by citizens and not sold to any other legal subject. In a pluralist democratic society no one can take this right away from them again.

If the municipalities are not returned their properties or given only those remaining after the small or large privatization (which plainly means money-losing properties), one cannot talk about righting the wrongs vis-a-vis the municipalities. In that case it isn't even possible to guarantee the municipalities a right to enter a market economy as an equal partner. In its consequences this amounts to economic discrimination of the municipalities which surely represent a significant economic subject.

Excessive financial dependence of the municipalities on the government budget will cause them to be dominated more easily by agencies of the state administration. Perhaps it is better not to mention the political ramifications of this concept.

Local governments in all European countries enjoy an independent legal status which enables them to act as a subject of civil law. They can own, sell, purchase, or rent any personal or real property including shares in public or private corporations.

Municipal enterprise always was and surely will remain targeted exclusively at satisfying needs connected with community life. And undoubtedly it will be different in each community. Perhaps the critics will accept assurances by the municipalities, their self-governing bodies and SMO that after all they have no intention to manufacture things like machine tools or knitted apparel. But surely they and their families will be satisfied if streets and village squares are well lit, dependable transportation and clean waiting rooms are available, the sewage, water and waste purification systems operate smoothly, and so on.

When the good aldermen and mayors exert themselves a bit, there may also be breweries, brick works, swimming pools, children's playgrounds, homes for retirees, housing for the socially needy, health or sports facilities, youth clubs. New local job opportunities may be created, and so on.

In a market economy which undoubtedly includes also a financial market, there are opportunities for each subject basing its entrepreneurial activity on the foundation of its own property. As far as municipalities are concerned, for instance the law on debt instruments states clearly in Section 20 that debt instruments denominated as communal obligations may be issued: a) by a bank or savings

institution, the proceeds of their sale to be made available by the bank or savings institution to the municipality which applied for them as a loan secured by its property, b) by a municipality which guarantees the issue by its property.

It is evident that this provision assumes the existence of a solid property base of the municipalities so that their participation in a market environment is truly equal with other economic subjects and helpful in combating monopolistic tendencies.

**Communities Need Their Own Revenues**

All this and a whole array of other local activities can be hampered or even halted by misguided measures. And is it at all in accord with the letter and spirit of the economic reform if municipalities are prevented from seeking their own revenues? Who will today and in the future assure that municipalities will have adequate financial resources?

In market conditions in which communities operate in the Western democracies so far no municipality has gone bankrupt. Can anyone cite credibly even one such case? Is perhaps someone doubting that our finance and banking system is ignorant or incapable of handling financial operations assuring equal or approximately equal development to our municipalities as well? To be sure, here too we will have both wealthy and poor communities. Capital cities always find enough supporters and helpers. So it is with communities which have a concentration of important economic activities. But there are also thousands of communities where the rule is that unless the citizens themselves build or improve something, they simply will not have it. It is hard for mayors to work out ideas for community improvement if they lack knowledge of the property base or even of established budgetary rules. They do not know them even for this year, much less for a longer period of time.

We also know that not all officials of local self-administration identify with the positions of the Association of Cities and Towns or of SMO. I am not sure that their view is in accord with the opinions and sentiments of the citizenry. Mayors and municipal boards are now assuming great responsibility for the present and future development of their communities. They must therefore manage responsibly the properties created and cared for by past generations. Some mayors prefer to depend more on government revenues and government subsidies than on their own economic activity.

There is also a difference owing to the kind of community in which self-administration is in place, its past (and not only recent) record of development, what resources it had available, what it has created and therefore what property it can legally claim. So for instance there is a substantial difference between the situation in Prague, Brno, Ostrava, and other cities and the situation in the villages. And again, there are small villages, virtually without a property base and villages where even under the past regime citizens helped to build schools, movie theaters, houses of culture, retail stores, small businesses, and the like.

It is not acceptable to see properties created by the citizens themselves—presently managed by the community—privatized by okres privatization commissions without the consent or even without the knowledge of the bodies of local self-administration. Such danger still exists.

In the absence of legislation on municipal property, or if the resolution of this matter remains half baked, we will have a privatization that will establish new property rights fixing for long decades ahead the development of communities as well as their status and role in a democratic society.

It is therefore my view that presently it is of vital importance:

- To draft quality legislation on municipal property which

- must respect the principle of correcting injustice.
- To declare clearly and without obfuscation what kind of property the municipalities are legally entitled to, in what ways they can take possession of it and how they may handle it.

**Communities in CSFR According to Population Size**

Category	Population Size	Category	Population Size
I.	0-199	VI.	5,000-9,999
II.	200-499	VII.	10,000-19,999
III.	500-999	VIII.	20,000-49,999
IV.	1,000-1,999	IX.	50,000-99,999
V.	2,000-4,999	X.	100,000 and over

Category	1961	Percent	1970	Percent	1980	Percent	1988	Percent
I.	2,238	18.7	1,718	16.2	765	10.2		
II.	4,279	35.8	3,664	34.5	2,264	30.2	4,657	67.6
III.	2,895	24.2	2,750	25.9	2,137	28.4		
IV.	1,504	12.6	1,441	13.6	1,275	17.0	1,189	17.2
V.	757	6.3	718	6.8	669	8.9	642	9.3
VI.	171	1.4	170	1.6	191	2.5	187	2.7
VII.	72	0.6	84	0.8	114	0.5	112	0.6
VIII.	33	0.3	43	0.4	58	0.8	72	1.0
IX.	9	0.1 (total of IX. and X.)	14	0.2 (total of IX. and X.)	13	0.5 (total of IX. and X.)	25	0.2 (total of IX. and X.)
X.	5	See above	6	See above	7	See above	10	

**Economic Leader Claims Slusovice 'Second Start'**

91CH0445A Prague ZEMEDELSKE NOVINY  
in Czech 13 Mar 91 pp 2-3

[Interview with Eng. Josef Hurta, deputy economic director of DAK MOVA Slusovice, by Stanislav Ptacnik, Martin Marik, and Tomislav Somol; place and date not given: "Slusovice Rearms"]

[Text] The Slusovice Cooperative Agrokombinat [DAK] is in divorce proceedings. An open rift broke out in late October and early November of last year after a proposal by the cooperative management to transform it into a share-based association of private entrepreneurs failed to receive a majority at the member meeting. Approximately 80 members of DAK then put forward an initiative to create their own "minority" share-based cooperative. Readers are familiar with more recent developments from the pages of this paper. In the end, most members of the former agrokombinat, some 4,500 people, signed up for the new DAK MOVA. A member meeting of Slusovice DAK at the end of the year then decided to divide the enterprise up into seven new cooperatives as of 1 January 1991. In addition to DAK MOVA the following cooperatives have already been formed or are in the process of forming: Start DAK, Zadverice Agricultural Cooperative [ZD], Vizovice ZD, Zelechovice ZD, SYMAZ ZD, and Agrodruzstvo.

As with every "proper" divorce, this one was not without mutual fault finding and mudslinging, without arguments over property, of which there is a lot, without airing the dirty laundry in public. In Slusovice as well, more time was spent last year talking than working. There were many meetings, and strikes. Along with rapidly changing external conditions, often for the worse, this could not help lead to a significant worsening in the economic performance of the enterprise, and in many economic difficulties. And although the internal divisions persist within Slusovice, the orientation to what had been typical here in the past, active entrepreneurship and development, has again come to predominate. Many of the startup firms (including the largest offshoot, DAK MOVA) are catching their breath, introducing new production programs, creating jobs. Others are still looking to find themselves and are rather fishing in the murky waters of discord, festering with emotion.

In this interview we do not want to return too much to the past, nor do we wish to search for those to blame for the current situation. The topic is rather the current and future business strategy for agriculture. In other words the changes that must be planned and implemented if our agriculture is not only to survive the transition to a market economy, but to become gradually more competitive on a European scale.

Eng. Josef Hurta, age 55, is currently deputy economic director of DAK MOVA Slusovice. A research assistant in the mid-1960's, then docent at the Department of Agricultural Economics at the Prague College of Agriculture, for the past 10 years he has been at Slusovice where he has worked, among other jobs, as the deputy economics director, the deputy director of scientific and technical development, and deputy director of livestock production. After November 1989 he served briefly as Czechoslovak Republic deputy agriculture minister. After the new management of the ministry was in place he returned to Slusovice. A strategist, he is one of the closest advisers to docent Frantisek Cuba. He continues his affiliation with the Prague College of Agriculture, and he actively publishes and lectures.

We wish to add some subjective comments to this dry recitation of data and jobs. We know docent Hurta as one of the best informed and at the same time forthcoming and open members of the Slusovice "brain trust." Opponents of Slusovice may object that his mask of good will hides the "old structure" or even the "predacious face" of an unscrupulous capitalist. Of greater interest than these cheap accusations are docent Hurta's views on a strategy for integrating Czechoslovak agriculture generally, and the Slusovice agrokombinat in particular, into a market economy.

[ZEMEDELSKE NOVINY] The current situation at Slusovice can be characterized, with a little exaggeration, as a "second start." Permit us, therefore, one excursion into history. What led to the first "start" of the Slusovice cooperative in the early 1960's?

[Hurta] First, I am not the most qualified person to answer this question. You would do better to ask docent Cuba. Generally, the initial motivation was one of need and the impossibility of obtaining the necessary results from agricultural work. This resulted in the idea to take cooperative work home, and provide jobs year round. Nonagricultural work thus aided in accumulating resources, some of which were put back into agriculture, which over time resulted in excellent performance. This development evolved into the current comprehensive enterprise, an agrokombinat.

Somewhat later we came to another important conclusion, namely that it is business that should determine the scope and content of production. The entire developed world currently operates on this principle. No market economy, no large world firm, has relied on the "invisible hand" of the market for some time now. They all depend on sophisticated marketing, on long-term projections and the active influencing of future developments. Mainly thanks to these practices contemporary capitalism is not plagued by cyclical crises due to overproduction.

[ZEMEDELSKE NOVINY] In this regard, what are your views on the prospects for so-called "pure" agriculture in our country, namely classic farming with no specialization or other economic activity?

[Hurta] Currently I think the prospects for pure farming operations are quite poor. The market is saturated and prices are increasing. The general public is naturally beginning to spend less on food. For an agricultural enterprise or a farmer to prosper in these conditions, they have to acquire resources. And agriculture alone allows this only to a limited extent.

[ZEMEDELSKE NOVINY] The significant economic problems of Slusovice, in our opinion, were rather caused by the unexpectedly rapid opening of our economy to the world. This left some of the programs developed by the agrokombinat hanging....

[Hurta] This is probably also true of microelectronics, where the penetration of foreign competition into our market showed the weaknesses of our entire microelectronics industry, demonstrating how far it lags behind the rest of the world. Other programs, such as biotechnology, were shown to be largely beyond the scope of even a large enterprise such as Slusovice. In this case the opening to the world has the potential to speed up development, if we succeed in getting access rapidly to state of the art technology, foreign licenses, and know-how.

[ZEMEDELSKE NOVINY] What are your estimations of the chances of DAK MOVA and other startup firms in a market environment?

[Hurta] Very quickly after the November revolution we concluded that if we could not restructure the former Slusovice DAK socialist enterprise as a corporation that would behave the same way as private firms or privatized businesses, we would not be able to compete. In fact, we had concluded this some time earlier but the pressures to privatize were nowhere near as strong as they are currently.

[ZEMEDELSKE NOVINY] Are you referring to the current transfer of facilities to socialist management, actually to full managerial responsibility, the sale of cooperative shares, the private enterprise factory....

[Hurta] Yes, but that is not all. Over the past year we have been working intensely to make this transformation successful under changed conditions, so that a business of our type and objectives could be economically viable. This is not possible without really profound changes in most sectors, at all facilities, and without a good knowledge of the principles of organization and management used by successful firms in developed market economies.

[ZEMEDELSKE NOVINY] Your enterprise has always conducted comparative analyses and studied development trends elsewhere in the world. What conclusions have you made regarding the present and near future?

[Hurta] When we compare ourselves to comparable, successful firms in the United States and Canada, one large difference strikes us immediately. In our country many more people in agriculture are tied down in so-called operating processes. These are jobs that firms in the West or across the ocean normally purchase as

services. Our agriculture packaged these services mainly because industry and the service sector have for some years now not met the needs of agriculture. Until recently the rule has been: If you want something, do it yourself. It has been shown that most of these services function quite well in private hands. We have therefore allowed many repair people and tradesmen to work as private entrepreneurs. We have sold off our trucks to our drivers.

For nonagricultural products that are not technologically related we have set up cooperative enterprises under the law on agricultural cooperatives. These cooperatives are managed quite independently, and are tied to the mother cooperative by a founders' agreement. Because there were a large number of these activities included within Slusovice DAK, and far from all of them could be maintained at a high enough level of technical sophistication for the products to be competitive, we decided to restrict the product line somewhat. Some operations that seemed to have less promise for the future or do not fit into the overall strategy have been targeted for sale to interested individuals.

[ZEMEDELSKE NOVINY] Precisely this "selling off" of cooperative assets has been the source of large and confrontational discussions among your members....

[Hurta] I would just like to say that these sales do not reduce the property of the cooperative, but only transform it. Their purpose is a good faith effort to concentrate our forces and resources on selected key programs.

[ZEMEDELSKE NOVINY] This means, however, that in your territory of interest a number of new firms will become active. The cooperative agrokombinat will therefore lose its earlier dominant position. Aren't you afraid of competition?

[Hurta] So far the DAK has been the only real creator of a Slusovice economic opportunity. With the advent of privatization, this no longer holds. I consider it desirable that there be concurrent development here of many different business activities, which is in fact happening. In addition to agrokombinats, agricultural cooperatives, cooperative enterprises, we are seeing the establishment of private corporations, limited partnerships, and private firms.

[ZEMEDELSKE NOVINY] So it looks like something of a Slusovice network is starting. Nevertheless, we think that the most complicated thing in the beginning will be to have private entrepreneurs. Do you agree?

[Hurta] We are also aware of this. For just this reason we set up a limited partnership, called Agrocomp, to help them. The purpose of Agrocomp is to assist them make it easier for individuals to start out, to provide a kind of a shield over entrepreneurs. Among other things, Agrocomp gets quality inputs for them, brokers sales for them, makes other contacts, and helps them with

accounting. In other words, services similar to those provided to cooperative members by the private enterprise factory.

[ZEMEDELSKE NOVINY] Are you counting on the bank to be able to pull together such diverse business activity?

[Hurta] Of course we are counting on this. The bank already has a working name, Moravobank, and should begin functioning as a universal corporation sometime this year. This bank is just the thing, I think, to make a strong positive impact on the development of this entire region.

[ZEMEDELSKE NOVINY] Let's turn to the prospects for future development of agriculture itself, primary output in the fields and stalls, and its processing. What is the DAK MOVA strategy in this regard?

[Hurta] In our foothill environment, it was necessary in the past for agricultural production to be state of the art. This was a precondition for the development of other activities. Put plainly, the fields and the stalls were primary, they received everything they asked for. Now, however, we have to consider even their requests in terms of profitability and available markets.

[ZEMEDELSKE NOVINY] What specifically does this mean?

[Hurta] In plant production our objective is to make a profit from what we produce. Our agronomists have a free hand in accomplishing this. We consider it especially important to revive the true ownership ties between people and their land. Our proposals for privatization include about five possible forms for internal enterprise business undertakings by members. (See "Internal Enterprise Forms of Entrepreneurship in Plant Production" at the end of this interview.)

[ZEMEDELSKE NOVINY] In the stalls, the situation right now is a little more complex. The economic indicators are not the only problem. The largest problem is disappearing demand.

[Hurta] Integrating activities seems to us paramount in livestock production. Given the huge sales problems, and in a situation where even the feeding of hogs and poultry is only marginally profitable, there is no other alternative. Our objective is to add as much value as possible "in-house" to basic agricultural output. Thus the basis of milk production becomes its processing, a yoghurt plant. Similarly, smoked goods from meat, and processing, portioning of poultry, which may lead to fast food stands where we might sell the output. Everything is focusing on final use, and therefore greater value added, which in turn allows us to procure raw materials for higher prices.

[ZEMEDELSKE NOVINY] But to accomplish this you need processing facilities, which is not a small task. Do you have them?

[Hurta] So far we have facilities only to process milk, and a partial facility for pork. There is nothing so far for beef or poultry. For poultry, we are considering the breeding of meat breeds, namely the production of one day chickens and fodder mixtures for these birds and cooperating agricultural firms.

[ZEMEDELSKE NOVINY] What forms of internal privatization do you plan to implement at Slusovice in livestock production?

[Hurta] In addition to possibilities similar to those in plant production it appears feasible to develop direct contacts with independent breeders. Just as there may be poultry feeders, there could also be cattle breeders who use our pastures to produce quality milk. Our aim here is to form fairly small work collectives. We need to get the cooperative into a natural small farmer mindset. If we do not get to a point where our cooperative units are equally "tough" in their business, we can scarcely succeed as a cooperative.

[ZEMEDELSKE NOVINY] Are you not encountering lack of desire or interest on the part of some cooperative members in such forms of enterprise? Aren't some of them more comfortable in more of an employee relationship?

[Hurta] The matter is complex for a somewhat different reason. Too many people within the cooperative are engaged in agricultural output. The strong pressure to increase labor productivity is also strong pressure to create new jobs. From this viewpoint it should make no difference whether DAK MOVA, a cooperative firm, or a private firm finds work for someone who has been laid off. What is important is that each region provide an adequate number of such opportunities. We are also trying very hard to make this happen.

[ZEMEDELSKE NOVINY] Are you succeeding?

[Hurta] We would probably be poor businessmen if we could not accomplish it, although the situation is not always simple. By breaking up, the enterprise loses a number of promising products, and fairly large numbers of managers and experts have left as well. We have therefore devoted considerable attention to the introduction of new production programs and a search for talented managers.

[ZEMEDELSKE NOVINY] Can we say that there will be enough jobs for all your members?

[Hurta] I am convinced that the answer is yes. Some of our production facilities have already begun or are beginning operations, and other interesting programs are in the works, such as microrefrigerator production, or the so-called profitable foods programs.

[ZEMEDELSKE NOVINY] So far we have only briefly mentioned the most basic issue, the transition of the cooperative from a "collectivized," "nationalized" form to that of a real cooperative, a business entity based on

member shares. What are you doing so that every member can become a real owner of a portion of cooperative property?

[Hurta] The statutes of DAK MOVA specify how the ownership relation of members to the cooperative will be revived. A certain part of cooperative property (about 20 percent) has been set aside for member shares. In this new definition of share ownership this is meeting cooperative members half way. We also take account of their original property contributions and their years of work in the cooperative. The condition of membership is ownership of at least one share, which can also be acquired. (See "Resolutions Concerning Member Shares" at the end of this interview.) Whoever does not have a share becomes an employee of the cooperative.

[ZEMEDELSKE NOVINY] There has been much debate as to whether those who were most responsible for the growth of the cooperative should be given advantages in cooperative decision making. There is a proposal to eliminate the principle of one member-one vote and adopt the principle one share-one vote. As far as we know, you want to implement this change.

[Hurta] This has been and continues to be the subject of complex discussions here. We have proposed in this way to increase the share in decision making of those members who in the beginning played the greatest roles with their property and their work in the formation of cooperative property. It is in line with wanting to strengthen the ownership principle. The response has been contradictory, which means that we have a large number of young people as members.

[ZEMEDELSKE NOVINY] The renewal of ownership relations is closely tied to another problem. Namely, how to overcome continuing antagonism between the member base and the leadership over what is "mine" and what is "cooperative." What are your views?

[Hurta] My opinion is that if an agricultural cooperative is to truly become a cooperative of private owners, the member's share of property has to be more than symbolic. Otherwise the basic idea behind cooperatives is not being followed. I personally was unpleasantly surprised when at meetings at the end of the year some of our members were most interested in forming unions. This makes no sense at all. Others approach these issues too leisurely and think that they have a right to work and a salary. This is also a big mistake. On the contrary, those that have faced the full weight of a competitive environment, such as the electrical engineers, are approaching these matters much more seriously.

[ZEMEDELSKE NOVINY] To conclude: What do you consider the greatest risk of this transitional period?

[Hurta] That many people still do not realize what is in store for us. If we do not change our current attitudes and habits and begin rather to force various compromises, we really can expect a future similar to that of Poland. Nevertheless I take the optimistic view.

[ZEMEDELSKE NOVINY] Thank you for the interview.

**Internal Enterprise Forms of Entrepreneurship in Plant Production (Procedure for Internal Privatization at Slusovice DAK MOVA)**

1. The cooperative member with his family, for instance, might rent 100 hectares of land. He buys or rents a tractor, and obtains other needed implements. He works the land as if it belonged to him. He purchases seed and professional services from the plant production factory, and gets single purpose machinery (harvesters) from a mechanization center or private firm. He assumes the risk of the undertaking, and is entitled to any profits.

2. An agronomist rents a larger tract (300 hectares). He also finds several partners. He negotiates for agricultural work and inputs as in example 1. The partners divide the profits according to the level of independence and the risk assumed by each.

3. A technician and several cooperative members go into business together. All of them work on purchased or rented equipment, with one of them as foreman. The rest is the same as in the previous variant.

4. A group of cooperative members (without an agronomist) rents land and everything needed to work it. They divide all or part of the profits according to the risk assumed by each.

5. A group of cooperative members forms a limited partnership or other business entity. They work as an independent legal entity, on their own account, and divide the profits.

The above means of entrepreneurship make use of the advantages of mass production, while retaining the character of private enterprise, with its personal tie between the farmer and the land, property, and harvest.

**Resolutions Concerning Member Shares (Proposed Statutes for Slusovice DAK MOVA)**

A member share represents a share in ownership of DAK MOVA with the related rights of the member to participate in the management, profits, and property distribution if the cooperative is dissolved.

- A member share has one vote.
- The nominal value of a member share is 20,000 korunas.
- Member shares are awarded as follows: One property share for contributing one hectare of agricultural land or two hectares of forest land; one labor share for each five years of work completed in the cooperative; one monetary share can be purchased at its exchange value (which may differ from the nominal value), with the council of delegates determining the exchange value.
- All types of member shares are equal.
- Ownership of at least one member share is the condition for membership in DAK MOVA.

- Only members of DAK MOVA can own shares, and they can sell shares only to other members of DAK MOVA.
- Upon termination of membership, member shares can be exchanged for bonds.

**Reinstatement of Business Mortgage Loans Viewed**

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in Czech 7 Feb 91 p 9*

[Article by Dr. Frantisek Vencovsky: "Mortgage Loans—Good Loans; One of Rational Elements of a Functioning Market Mechanism"]

[Text] The current way of settling payments between enterprises is essentially the legacy of a system originating in the 1950's which excluded mutual commercial loans between enterprises. All loan transactions had to be organized through the bank and it was not permissible for the bank in case of difficulty to recover its loan from the enterprise's assets.

What was and remains lacking is what is routine and self-evident for a rationally functioning market economy: the debtor's property as collateral for the money borrowed. As a creditor neither the bank nor the enterprise can get to their money directly; they must wait until their borrower gets money from his customers. This absurd situation is then reflected in a chain of payment inability from which there seems no escape.

Indeed—in the system which still survives there is no escape. The need is for returning to or establishing a regime which is routine in the world and which means a renaissance. This involves coordinated steps toward a financial and especially capital market the operation of which should be based on two requirements: 1) A credit relationship between two enterprises or subjects need not be solely their own, that is, nontransferable relationship but rather is objectivized, becomes transferable as a claim or a debt to other subjects which may buy or sell it. Hence the credit relationships must be expressed in a form permitting them to be traded; 2) they are backed by the debtor's assets, are guaranteed by him.

The most solid proof of such a guarantee are surety documents—securities—giving the creditor the right to a certain portion of the debtor's assets. A clear case is the legal lien as security for the money borrowed; if this security consists of real estate, it is a mortgage or mortgage loan. In accordance with the new law on debt instruments we are now introducing mortgage surety bonds. What is their economic purpose or significance for forming a capital market?

The surety bonds sprang from the need to overcome the conflict between the interests of the creditor—owner of capital who wants to be able to make use of it at any time, and the interests of the borrower who needs a loan which is long-term, irrevocable and payable in installments, for which he offers a mortgage. If such a borrower

comes to the bank, the approved loan is disbursed to him in the form of a surety bond whose nominal value is equal to the approved loan secured by a mortgage on the borrower's real property. The borrower then gets hold of the money loaned to him either by selling the surety bond—in the stock market or directly to an interested party, or just anyone who has available capital and wants it deposited or invested in this manner—at current market value. Thus the bank which issued the surety bond has two customers: one is the owner of the surety bond who is the creditor, and the other as the debtor who provides the security of his property. While the creditor may not ask the bank to redeem the surety bond at any time, he may sell it. The debtor pays the interest and annuity. His interest payments fund the bank's payments of interest on the surety bond, and in a similar way the debtor's annuity payments amortize the surety bond. All this of course according to market calculations, market interest rates, and so on.

Under the new law on debt instruments mortgage surety bonds can be issued here only by banks and savings institutions authorized to do so. Each bank is required to fully cover the nominal value of mortgage surety bonds by legal title to real property. In dealing with a borrower, the bank may not accept a mortgage exceeding 60 percent of the value of his property.

Thus the law provides for rather stringent conditions which make it possible to view mortgage loans as good loans. This is further underscored by the fact that a mortgage claim supported by a surety bond takes precedence before other mortgage creditors in case there is conflict in redeeming the mortgage.

Introduction of mortgage loans and issuance of mortgage surety bonds will therefore become one of the basic elements in a rationally functioning market mechanism making it impossible, for instance, that enterprises hold back payments to each other, need supplier loans and thereby build a chain of what is called payment inability.

### Concern on Restitution Law Overwhelming Courts

91CH0398B Prague HOSPODARSKE NOVINY  
in Czech 20 Feb 91 pp 1, 2

[Interview with Pavel Svab, chairman of the Republic Council of the Czech Republic's Association of Judges, by Milan Srb; place and date not given: "Will Privatization Overwhelm the Courts?"]

[Text] Legislation on out-of-court restitutions is "stirring up" the parliament, the government, as well as the broad public. On the one hand the need is recognized for some way to recompense the wrongs of the past era; on the other concern is growing that overly generous restitutions may block reform and paralyze the economy.

How is the proposed legislation viewed by people who will have a great deal of work with implementing it—that

is, judges? We put this question to Dr. Pavel Svab, chairman of the Republic Council of the Czech Republic's Association of Judges.

[Svab] No one is in a position to tell clearly and precisely what this law will portend in practice for the judiciary. I tried to arrive at a speculative guess based on data from the Czech Republic's Ministry of Justice, but these are only partial and stem solely from decisions in which the courts were involved. Thus they do not encompass the large area in which property wrongs were inflicted out-of-court, that is, by administrative decision. This means for instance cases of expropriation by decree of the president of the Republic, and the like.

[Srb] What numbers are we dealing with in your estimation?

[Svab] It is my estimate that in the Czech Republic we could expect up to 560,000 litigations. I proceed from data for 1963 to 1968 when alone we have roughly 100,000 cases. But these are only disputes between the citizen and the state, but there will be others, between heirs themselves. When I estimate that these will involve only half of this number, I arrive at a total of 840,000 litigations.

[Srb] Is this anticipated number of cases at all physically manageable with the present resources of the judiciary?

[Svab] With 85 okres courts these 840,000 litigations average out as 10,000 cases per court. In 1989 the routine agenda was 140,000 cases so that what we would normally handle in six years we will have to adjudicate within roughly a single year. I compare this with a court I know best, the district court for Prague 7. There are five sitting judges; on grounds of capacity they can preside only two days a week which means a maximum of 16 hours. If I devote a mere hour to each case and stop doing everything else, with 2,000 litigations that will be assigned to each of us I will be settling matters for two-and-a-half years into the future. And all this time all my other agenda will remain untended. This is totally unsupportable.

But let me point out—these numbers are pure speculation; in reality the number of litigations may be lower, but also possibly substantially higher.

[Srb] What do you think of the out-of-court restitutions?

[Svab] I am not saying that judges should not adjudicate these cases, that restitutions should not be carried out. But the more broadly they are conceived the greater requirements the deputies must concede to the judiciary and create the necessary conditions. In other words, they will have to weigh the economic aspect as well as the courts' present capacities. The judiciary must have an opportunity to acquire people and spaces.

[Srb] You mentioned also the economic aspect. It seems clear that disputes will drag on for a very long time....

[Svab] It can easily happen that the final verdict will be known in three or five years' time. This period will mean uncertainty in ownership relations. No one will take care of the property because its current owner or administration will no more invest in it. The putative new owner again will not put any money into the property as long as he is not assured that it does not accidentally belong to his cousin. So the property will be left idle, and we all can imagine what damage can result if it involves production facilities.

I am convinced that the litigations will drag on for a long time because we have experience from court cases involving nonshare joint property of couples after a divorce. Most of these cases belong to the category of unfinished products because of the need to provide voluminous documentation, to hear many witnesses and so on. And this, in comparison with cases resulting from out-of-court restitution, are cases when the property community ended at a date certain and litigation followed shortly, when documents relating to the property exist and witnesses are living. With regard to restitutions we have a certain vacuum in documents on properties confiscated, say, in 1950. Other public agencies will be similarly overwhelmed with work. So for instance real property registries will not be able to respond to our inquiry about the record of a property deed within a day or two, but rather in two or three months.

[Srb] Have you brought these technical problems to the attention of those who presented the bill?

[Svab] As judges we never officially received the draft legislation for our comment. So our information comes from the press and some materials which we got more or less by accident. Thus we were not able to have an input on the variant which provides that emigres with a potential claim to restitution should be paid a one-time standard sum of 100,000 korunas. But this does not correspond to the value of the property they left here.

[Srb] But is it possible to establish objectively the value of the property and accordingly to set the average amount of restitution, so that the courts will not be overwhelmed by more and more cases?

[Svab] The average amount can be rather easily established from the emigres' sentence records where confiscation of property was ordered. This is a matter of wider research for instance in Prague and some provincial

okreses. The documents show what property was left behind by the emigres, so that it is possible to calculate the average amount. It is my estimate that in 90 percent of the cases that sum of 100,000 korunas is substantially overdrawn. This particularly in regard to the so-called economic emigration when people wanted to leave and for the most part after long preparation managed to sell their assets. What they left here were things of lesser value. Of course there were also people who left large properties here, but this is rather the case of political emigration. I am convinced that monies will be paid to which emigres have no claim. And this isn't even right morally because they did not leave for political reasons.

[Srb] You say that it is possible to get help from documents. But aren't the property values recorded in them deliberately understated?

[Svab] I would not say that unreservedly. The criminal court document will show only personal property, real estate. Those valuations you have in mind, according to which various top honchos were sold homes and villas, were recorded only after completion of the criminal proceedings. It was later that the values were substantially reduced. In such cases it would be enough to turn to an expert who would determine the actual value of the real property.

#### Out-of-Court Property Settlements Approved

91CH0398A Prague HOSPODARSKE NOVINY  
in Czech 22 Feb 91 pp 1, 2

[Report by (ha): "Out-of-Court Restitutions Approved—Another Round in the Federal Assembly; Transformations"]

[Text] Following yesterday's nighttime vote on a government draft of the law on out-of-court restitutions the Federal Assembly was faced with three choices: sending the draft back to the respective committees; proposing an open floor debate on the legislation in the House of Nations; or going for the conference procedure. After a morning consultation the parliament presidium chose the second option.

Let us recapitulate briefly what led to this. Yesterday, seven minutes past midnight, a vote was taken on the final wording of the proposed legislation. At that moment 124 deputies were present in the House of the People; in the House of Nations, those present included 64 deputies elected in the Czech Republic and 58 elected in Slovakia. The tally by political affiliation was as follows:

Political Affiliation	For	Against	Abstained	Not Voting
VPN [Public Against Violence]	Majority	0	3	
KSCS [Communist Party of Czechoslovakia]	None	Majority	3	
KDH [Christian Democratic Movement]	Majority	0	0	1
HSD [Movement for Self-Governing Democracy]	Majority	1	3	
KDU CSL [Christian and Democratic Union-Czechoslovak People's Party]	Majority	1		
ESW [Coexistence]			5	

Political Affiliation	For	Against	Abstained	Not Voting
OF [Civic Forum]	Majority	2	4	
OF ODA [Civic Democratic Alliance]	Majority			
MKDH [Hungarian Christian Democratic Movement]	1	2	2	
OF LDS [Liberal Democratic Party]			2	
VPN MNI [Public Against Violence-Independent Hungarian Initiative]	1	1	2	
B (3) [Nonaligned]		3		
OF ROI [Civic Forum-Romany Civic Initiative]	1			

Since this legislation is subject to the rule which forbids outvoting the minority, approval must be voted by both the House of the People and the two components (Czech and Slovak) of the House of Nations. But this was not accomplished. So in the morning the House of Nations again took up the issue on its own. It approved the government draft on out-of-court restitutions in the same wording as previously adopted by the House of the People.

Following an extended noon break the 13th joint session of both houses of the Federal Assembly [FS] resumed. In the opening deputy Michal Maly, OF [Civic Forum], informed the plenum that an initiative group of deputies drafted legislation providing for invalidating the mandate of an FS deputy on grounds of cooperation with the former StB [State Security]. The legislative draft will be considered by all FS committees and put before the plenum probably at a joint session in March.

Subsequently the Federal Minister of Finance Vaclav Klaus spoke in support of legislation providing for transfer of government property to other persons for purposes of business activity.

He outlined five areas of problems covered by the legislation. They include, first, privatization projects as the basic subject requiring approval. The law will specify in detail the procedure for structuring these projects; they are within the jurisdiction of the republics. Second—the National Property Fund—in the privatization process, that is, in the act of purchase and sale, will represent the government as the seller. The fund is not an entrepreneurial entity; its principal function is to effect the transformation.

A third area covers methods of privatization. The standard method assumes that the enterprise is first restructured and valued (that is, comes clean) and subsequently is offered for sale. The goal is to attain maximum profit in the sale, and this procedure will be followed wherever possible. The nonstandard method will involve investment coupons—without resorting to them privatization could not be carried out within a reasonable time. Fourth—the relationship between large privatization and restitutions. Only property unquestionably owned by the government will be offered for privatization. But in case that ownership rights to a property or its part slated for privatization were abrogated by methods

defined in Section 2, paragraph 3 of the law on out-of-court restitutions, persons entitled under this law have a claim to be settled by means defined in the privatization project involving this property.

Fifth—the issue of authority. In the overwhelming majority of cases privatization will be carried out on the republican level. V. Klaus also took a stand on some comments relative to the government draft of the bill. Among other things, he strongly rejected inclusion of Section 47 (expressing a demand of the Czech Government) which would provide that in case the enterprise's founder is an official arm of the state administration or a local government, this founder could dissolve the enterprise without liquidation and invest its assets in the capital fund of one or more commercial corporations. He emphasized that adoption of this article would lead to the danger of a mere change in the firm's name and a strengthening of the branch ministries' relationship vis-a-vis the enterprises.

Following the finance minister deputy Jozef Kosnar (KSCS) took the floor. He spoke in support of the draft of a constitutional law on transferring government property to funds of economic renewal and requirements for its privatization, worked out by an initiative group of Communist deputies as a counterproposal to the government's draft legislation. He requested the chambers to decide by a vote how they will consider both proposals. Since a separate consideration (with concurrence of all parliamentary committees) was rejected by the rapporteurs, the initiative group of deputies will have to present its proposals in the debate of the government's draft.

Opening the debate was deputy Milos Zeman (OF). He began by noting that one might apply to the presence of deputies in the chamber a modified version of one of Parkinson's laws: "The number of deputies taking part in debating a law is in indirect proportion to the importance of the law." His specific objection to the government draft was that it essentially prefers a nonpaying privatization to a paying one, that is, in the case of nonstandard methods preferring investment coupons to a sale of employee shares with the prospect of their long-term repayment. "The coupon method has not been adopted anywhere in the world, with one sole exception of British Columbia where the local constitution provided for natural resources to be distributed among the people." Deputy Martin Konta (VPN) described the

draft as a compromise between extreme views of privatization. He expressed satisfaction that consideration of the draft in committees succeeded in checking efforts to place the issue of powers above the actual process of privatization. Deputy Miroslav Grebenicek (KSCM) [Communist Party of Bohemia and Moravia] presented the view of the KSCM and Democratic Left clubs. He conceded that it is necessary to eliminate government ownership of substantial assets without great delay. However, the government draft of the legislation unilaterally creates the idea of such fundamental change in ownership and economic relations which will have far-reaching and irreversible consequences. "Evidently it is the sense of the government draft to create conditions in property law in favor of private enterprise, that is, to safeguard the irreversibility of the process of restoring capitalism." That is not acceptable to this political faction.

Yesterday's debate on the draft bill on transferring government property to other persons for purposes of business activity was by no means extensive; ultimately it was in proportion to the number of deputies present. At about 1800 hours fewer than one-third of the deputies (50 in the House of Nations, 42 in the House of the People) were present. The debate continues today.

**'Tricks' To Bypass Legal Privatization Publicized**  
91CH0432A Prague HOSPODARSKE NOVINY  
in Czech 21 Feb 91 p 1

[Article by Eng. Eva Klvacova: "Big Tricks in Small-Scale Privatization"]

[Text] Although our experience of small-scale privatization is not yet extensive, it is already possible to make certain generalizations. The very same enterprises which, as customers, had been complaining for years about the problems that specifically state ownership was causing in supplier-customer relations, are desperately thinking of ways to postpone privatization and to preserve state ownership as long as possible, now that they have been instructed to fill out the cards of their operating units.

**Trick No. 1: Find a Foreign Entrepreneur**

The 1988 law regulating the conditions for forming joint ventures with foreign equity participation has provided practically the only opportunity for private enterprises to engage in business on a large scale, to inject foreign capital into a business, and to acquire technology and know-how. Therefore it is no wonder that enterprise executives can relax and team up with any foreign partner interested in their enterprise. From the viewpoint of their own survival, the question of whether these executives have chosen the right partner does not particularly trouble them.

**Trick No. 2: Wait for Large-Scale Privatization**

Small-scale privatization involves state assets in the category of separate operating units. Such operating units have to be "fashioned" in accordance with the spirit of the law, and that is the main task of each privatization commission. What constitutes a separate operating unit is quite clear in most cases, such as when individual stores, business establishments, services, etc. are involved. But there are also borderline cases, particularly when state enterprises have also branch plants and operations in other localities. The ploy here is to concentrate on proving that expedient technological links exist, that the operating units in question cannot be split off, and that it is necessary to wait for large-scale privatization. Even such privatization is a lesser threat than small-scale privatization would be, because it is a deferred solution.

**Trick No. 3: Convert Into Municipal or Community Assets**

Municipalities and communities are just as unsuited for business activity as the state is. They are slow and inflexible in making decisions, willing to tolerate inefficiency and to pay for work that is unnecessary or of poor quality, and they also have a tendency to create a superfluous administrative apparatus. The operation of businesses by municipalities and communities constitutes municipal socialism, the traits of which are no different from those of state socialism. Members of municipal or community councils will contend that the empirically proven general laws regarding the operation of businesses by municipalities and communities do not apply in their case. The question is merely whether they are aware that their contention is invalid and just a trick to prolong the convenient existence of the enterprise under their administration, or to what extent can this be attributed to their ignorance of basic economic facts or to an illusion under which they are laboring? Either way, the chosen course of action does not appear to be entirely futile. That is evident also from the draft law on municipal and community property, among other things.

**Trick No. 4: Scatter the Assets**

The shifting of assets to areas to which small-scale privatization does not apply is a very popular trick and assumes many forms. The law does not apply to the training of apprentices, for instance. The ploy is to scatter the apprentices among all the operating units. The law does not apply to cooperatives, either; therefore state enterprises are attempting to find protection under a cooperative's umbrella. Farm production, education, culture, and health care are likewise exempt; and state enterprises are trying to hide their assets in all these areas as well.

**Trick No. 5: Quiet Sabotage**

The card listing the particulars of the operating unit's assets is filled out without any objection, but simultaneously an attempt is made to make the operating unit

worthless to the potential bidder. This trick has several variants. For instance, all salable items of inventory are replaced with dormant stock. By removing the furnishings from a store, it can be converted into nonresidential premises exempt from the provisions of the Law on Small-Scale Privatization. A frequently employed variant is to artificially jack up the operating unit's price.

To our list of tricks against small-scale privatization we could add, as trick No. 6, an attempt to influence the members of the privatization commission, in the sense of the previously mentioned tricks. However, the trick surpassing them all could be trick No. 7, an attempt to infiltrate the privatization commission itself. Statutory sanctions gradually are limiting the employment of the listed tricks. But it appears that efforts to preserve the dubious advantages of state ownership will persist throughout the entire course of privatization.

**Company Insolvencies Rose 50 Percent in January**  
*91CH0432C Prague HOSPODARSKE NOVINY  
 in Czech 26 Feb 91 p 1*

[Article by Marcela Doleckova: "Czechoslovak Industry Endangered; Association of Industries Against the Banks and the State?"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Danger signals have lit up over the immediate future of the entire economy's supporting structure: The combined total insolvency of Czechoslovak enterprises, about 53 billion korunas [Kcs] at the end of last year, rose to nearly Kcs80 billion during January, an increase of almost 50 percent.

The situation has become so critical that the Association of Industries (SP) has submitted to the Federal Assembly a petition which B. Ostadal, the director of the SP Secretariat, characterized as pressure on the government to resolve the situation. The wheels of industry are seizing for lack of lubrication—i.e., of capital. In fact, the entire petition revolves around the shortage of capital. The petition demands that the question of lending against perpetual inventories be resolved, that the banks extend credit in general, and that the foreign trade enterprises pay the manufacturers directly, rather than the banks.

The question of loans against perpetual inventories has been resolved temporarily. So far as extending credit in general is concerned, a restrictive credit policy is one of the basic tools for controlling inflation. That applies on the one hand. On the other hand, however, the enterprises are unable to operate without capital. It appears that the screw of credit restrictions, tightened to the maximum, is about to be loosened slightly, according to a statement issued by the Czechoslovak State Bank. But it is left entirely to the commercial banks' discretion where they place their loanable funds. R. Salzmann, the director of the Commercial Bank, said that his bank,

naturally, is extending credit, but only selectively. However, an enterprise is not dependent solely on the Commercial Bank and can turn also to another financial institution. The only trouble is that no bank will give the enterprise a loan against an account receivable that is doubtful. In response to the question as to whether anyone today can order the banks how much to lend and to whom—and in this sense the question echoed the petition of the Association of Industries—Director Ostadal said that it would not be appropriate for the government to intervene in a prospering market economy, but under the present conditions government intervention is indeed necessary. Naturally, such a solution is not free of risks, and what those risks could be is clearly evident from the past practice of allocating credit. A bank's director either carries out the government's orders regarding credit allocations or his days as a bank director are over. And the enterprises could revert to the practice proven over the years, which holds that "in the end everything will somehow turn out well." At the same time, the Association of Industries is calling also for the accelerated privatization of banks, even though it realizes that the government would not be able to boss private banks around, not even in theory.

If today the banks—the Czechoslovak Trade Bank in particular—have accounts receivable from a foreign trade enterprise, they are entitled to collect the balances of the accounts receivable. When the director of a manufacturing enterprise that exports through a foreign trade enterprise dares to send his workers to the bank for direct payment, his action is very short-sighted. Even Director Ostadal admits that the action of CKD [Ceskomoravska-Kolben-Danek Heavy Machinery Enterprise] against the Czechoslovak State Bank was not the most fortunate solution. Too bad that the Association of Industries failed to dissociate itself from that action in due time. Had it done so, it would have appeared as a more reliable partner, rather than an instrument of pressure. Unfortunately, the Association of Industries is right to say that the pressure tactics of various enterprises—ranging from the aluminum works through the tractor plants to CKD—have been successful. But successful for whom?

The petition of the Association of Industries demands the cancellation of the debts the enterprises have incurred as a result of the sanctions against Iraq and of the CEMA market's collapse. It is somewhat deceptive to rank the two causes of debt side by side. The state must assume economic responsibility for its policy decisions, such as the economic boycott against Iraq. If Czechoslovakia has already received loans from the international community to compensate it for the dropout of export earnings from Iraq, those loans should already have been passed on to the enterprises concerned. But the CEMA market's collapse and the decline of exports to the Soviet Union have not been caused by this government's policies, although Director Ostadal is convinced that statements by certain government officials have been contributing factors at least to the cancellation of already

negotiated contracts, which he does not identify more closely. Be that as it may, the CEMA countries' territory that was won long ago is not readily accessible today, and the government cannot do much more than open the gates. Primarily the Czechoslovak enterprises' business ability will determine how well they can satisfy the requirements of demanding customers. No bank or ministry is able to solve that for them. Of course, the state could help generally with an export orientation—by creating institutions that would guarantee payment for exports, for instance.

The petition lists additional demands at the very end: laws on transformation and restitution, a bankruptcy law, a tax code, acceleration of the influx of foreign capital, etc. The drafting of legislation is indisputably in the hands of the government. Many of the draft laws could have passed through the parliamentary mill last year, and already in January larger drops of foreign capital could have been helping to lubricate the promising industrial gears that are now falling out of mesh due to seizing. The Association of Industries should have appealed to Parliament earlier in this sense.

The situation of Czechoslovak industry is indeed critical. But it is easier to petition for money than to seek changes within an enterprises itself and to assume responsibility for its future prosperity. It is indisputable that a part of the enterprise sphere has no prosperous future to look forward to. On the basis of the enterprises' new behaviour, the banks and the ministries of industry must see to identifying the enterprise sphere's more promising part that deserves more liberal treatment from the banks.

### **CR, SR Industries Ask for Financial Relief**

*91CH0432D Prague HOSPODARSKE NOVINY  
in Czech 26 Feb 91 p 3*

[“Text” of petition from the Czech Republic and Slovak Republic Association of Industries to the Federal Assembly, regarding the present economic situation of Czech and Slovak industry]

[Text] Pursuant to Law No. 85/90 of 27 March 1990 on the Right to Petition, we ask the Federal Assembly for help in solving the difficult economic and especially financial situation of the enterprises in the entire Czech and Slovak industry. The enterprises find themselves in this situation thanks to the restrictive fiscal, credit, and monetary policies that the Federal Government adopted without thinking them through properly.

In the standpoints that the Czech Republic [CR] and Slovak Republic [SR] Association of Industries and the Coordinating Council of the Unions and Associations of Entrepreneurs prepared on the principles of economic policy for 1991-92 and submitted to the governments at the end of 1990 and the beginning of 1991, we emphatically called attention to the overall negative effects of the restrictive credit and monetary policies, and of the state's absence in setting meaningful national economic objectives and in clearly defining the enterprises' role in

achieving those objectives. The development of the enterprises' economic situation in the first weeks of this year, particularly the increase of [technical] insolvencies, provides further proof that our standpoints were based on educated forecasts prepared by a number of enterprises and industries.

Failure to resolve this situation poses the danger that the entire national economy might disintegrate, and that the circulation of money and goods might cease to function.

According to data released by the Czechoslovak State Bank, enterprise insolvencies in the CR and SR at the end of last year totaled 53 billion korunas [Kcs]. By preliminary estimates, total insolvency increased by nearly 50 percent during January, to Kcs77.6 billion. These (primary and secondary) insolvencies of the enterprises threaten their very existence, not excluding even efficient and promising enterprises that have secured markets, operate at a fair rate of profit and have products that are comparable to the world level. Furthermore, these insolvencies are causing a sharp rise in unemployment, delinquencies in payments to the state budget, and thereby a shortfall in revenue collection.

Failure to solve the problems or their late and merely general solution (of the problem of loans against perpetual inventories, for instance) is having overall insoluble financial, and hence also social, effects on the enterprise sphere. This results in a significant lowering of our citizens' standard of living.

These facts are bringing our enterprises, and thereby also a predominant proportion of our economy, not only to the liquidation of the market and curtailment of our ability to export, but particularly to a pronounced slowdown, and in a number of instances to a halt, in the development of the individual enterprises. The crisis that these policies are creating, evidently intentionally, manifests itself in a sharp decline of demand in the market, rather than in overproduction. This creates a basic imbalance of supply and demand in the market.

To stop this critical situation, the following measures must be carried out as soon as possible:

- Regarding the problem of perpetual inventories, the implementation techniques must urgently be perfected in accordance with the 8 February 1991 resolution of the CSFR Financial Council. The persisting situation is causing the enterprises multimillion losses daily.
- Lending against accounts receivable must be resumed immediately.
- By allowing the invoicing of partial deliveries, partial payments must be made possible in the case of large turnkey construction projects.
- The situation at the foreign trade enterprises, which are holding bank payments by the Trade Bank, must be resolved.

It is necessary to solve, urgently and on a case-by-case basis, the debts that the enterprises have incurred as a result of the following causes:

1. Economic sanctions against Iraq
2. German reunification
3. Collapse of the CEMA market, and especially of the USSR market
4. Conversion from arms production
5. Lack of clarification of the concept of nuclear power generation
6. Solution of the financing of ecological construction projects
7. Resolution of investment-related debt in selected industries where investments were forced on the enterprises in 1985-89, but without a systems solution
8. Amendments to the Commercial Code regarding the forced acceptance of deliveries of unsalable merchandise.

The aforementioned measures, which are necessary to curb enterprise insolvencies, must be solved by the end of February 1991.

Failure to resolve these serious shortcomings in the industrial sphere affects also the development of private enterprise. Not even the boldest private entrepreneur can succeed in a nonexistent market.

Furthermore, the drafting of the following basic statutory regulations must be perfected, and the draft legislation must then be enacted:

- A transformation law;
- A restitution law;
- A law on bankruptcy and the liquidation of enterprises;
- A new tax code;
- Regulations that set objective criteria for supporting enterprises having a chance to become successful;
- Simplification and acceleration of the influx of foreign capital into the Czechoslovak economy.

These measures, together with the creation of needed competition among banks and including also their accelerated privatization, will lead to the restoration of the Czechoslovak economy to good health.

State intervention, especially with the help of economic instruments, is also necessary to solve the present transitional period. For example, remission of taxes and payments to the state budget, temporary tariff protection of selected industries, an export-promoting policy, state orders, individual subsidies to selected promising enterprises, allowing accelerated depreciation of new investments at selected enterprises, and especially the acceptance and quick completion of the recommendations that the CR Economic Council's Committee on Solving

the Negative Effects of the Transitional Period submitted to the Ministries of Finance.

Parallel with these measures, it is necessary to develop a state conceptual plan for the development of the national economy and of its key industries in particular, because a functioning and developing industry is the foundation of a prospering economy.

Esteemed Members of the National Assembly, we request your help in solving these problems, in a way such that the Federal Government will have to respond to them quite unambiguously in the Federal Assembly, before television cameras, in proceedings to which also representatives of the entrepreneurs' associations and trade unions have been invited.

We also wish to call attention to the fact that this matter must be resolved very quickly, because the 30-day time limit for responding to petitions would be too long in the given case. Czechoslovak industry could become paralyzed during that period.

Signed in Prague on this 16th Day of February 1991.

For the Board of the CR and SR Association of Industries:

Engineer Zoltan Berghauer, president of the SR Association of Industries;

Engineer Pavel Prior, vice president of the CR Association of Industries;

Engineer Bretislav Ostdal, director of the CR Association of Industries Secretariat.

### Sharp Fuel Price Increases Effective in May

91CH0432E Prague HOSPODARSKE NOVINY  
in Czech 26 Feb 91 pp 1-2

[Report signed "st": "Higher Fuel and Heat Prices as of May"]

[Text] At its meeting yesterday [25 February] the Federal Government raised the prices that households will be paying for fuel and heat. The one-time increases will be effective as of 1 May 1991, but at the same time the monthly compensatory allowances will be increased by 50 korunas [Kcs] per child, and by Kcs80 per retiree.

The federal cabinet dwelt two and a half hours on the Federal Finance Ministry's proposal to increase in two stages, by 324 percent overall, the prices that end-users pay for solid and gasous fuels and heat. The Czech Republic [CR] Government agreed to the proposal only with serious reservations, while the Slovak Republic [SR] Government expressed its disagreement. In view of the fact that the price adjustments' effective date has been postponed by two months from 1 March, the date originally planned, the Federal Government is of the opinion that the postponement gives the two republic governments sufficient time for further consideration of this important decision.

The federal cabinet instructed its deputy premier, V. Vales, to discuss with the CR and SR Governments a possible variant of the scheme to subsidize the prices that final users pay for fuels and heat, under which the

federal budget would discontinue subsidies for this purpose and let the two republic governments take over the payment of such subsidies. Here the compensation fund from the federal budget would be divided between the budgets of the two republics, on the basis of an agreed ratio. The federal cabinet will complete consideration of this entire matter at its next meeting.

CSFR Deputy Finance Minister V. Rudlovcak admitted at the press conference that there still would be certain corrections. For the time being the price of steam coal is expected to increase by 234 percent; of coke, by 246 percent (Kcs1660 per metric ton); of natural gas, by 134 percent; of town gas, by 64 percent; and of heat, by 324 percent. The fact that the price increases have been postponed will be costing the federal budget an extra Kcs5.6 billion from the beginning of this year.

Minister of Labor and Social Affairs P. Miller provided information on the setting of minimum wages as of 1 February. For workers to whom the wage tariffs apply, the minimum wage will be Kcs10.80 per hour and Kcs2,000 per month. If a worker's earnings are below the minimum wage, the organization must make up the difference.

Federal Minister of the Economy V. Dlouhy commented on CEMA's demise. The government expects this organization to wind up its activity as soon as possible, but is willing to discuss, for instance, the Polish Government's views regarding the founding of a new organization (which we would regard as a temporary one, in any event), and also the changes in the standpoints of some of the other partners. Therefore the government is inviting all the participating countries to Prague for a discussion of the arisen problems, on Saturday and Sunday [2 and 3 March].

The minister also said that, according to the information available to him, the CEMA meeting of the heads of government, scheduled for 27 and 28 February in Budapest, has been postponed.

### Economic Council Discusses Health Care Problems

AU0104111991 Bratislava NARODNA OBRODA  
in Slovak 28 Mar 91 p 2

[Article by Tibor Michal: "Emphasis on Health Care"]

[Text] Bratislava—The Slovak Republic National Economic Council held a session yesterday conducted by its chairman Jozef Kucerak. Unfortunately, on account of the delayed submission of background materials, a much awaited report on the coordination of the course of economic reform could not be discussed. Therefore, attention was mainly focussed on dealing with the economic situation in the coal mining and energy industries. Starting points for resolving the serious problems in Slovak health care were discussed for almost two hours.

The current situation in our mining and energy industries is not good. A solution should not just be found by raising prices, although citizens have to be aware of the prospect of price increases. Prices for private electricity consumption should increase as of 1 September 1991; so far, this is not definite. "If fuel and energy prices were to increase greatly, it would be impossible to allow people's standard of living to fall below the minimum subsistence level on account of it," stated the council. The question of where to obtain the billions needed for the construction of the Mochovce nuclear power plant and the Gabcikovo hydroelectric project remained open.

Our health care is also suffering from an extraordinary lack of finances. The approved budget—although larger than last year's—will only enable health care services to operate for a few months because the rise in prices of drugs and consumer health care materials alone is—as opposed to last year—7.5 billion korunas more. In this instance, the state will indeed have to help, but by making savings in health care and with the population's "assistance." It is being suggested that the citizen should pay a certain sum (for example, 30 korunas) for each examination, that he should pay not one koruna, but five korunas for a prescription, and that he should also pay something for an examination within the framework of first aid medical service. I repeat, this is a suggestion. Potential resources are being sought in reducing the 22 percent sales tax on medicinal drugs, abolishing the customs surcharge and duty on health care imports, the direct purchase of medicinal drugs from producers, and so on.

There are many problems and few billions. Health care has been neglected for years; it is impossible to improve it all at once. However, it is necessary to take measures to ensure that the standards and operation of health care services are at least the same as last year. In view of the seriousness of the problem, the Economic Council has recommended that the appropriate materials be submitted to the Slovak Republic Government for discussion.

### ROMANIA

Improper Legal Handling of Strikers Alleged  
91BA0463A Bucharest ROMANIA LIBERA  
in Romanian 1 Mar 91 p 2

[Article by Tudor Artenie: "Supreme Court Decision De Facto Null"]

[Text] Yesterday, 27 February 1991, a meeting was held at Hotel Astoria in Bucharest between representatives of the U.S. and British embassies and leaders of striking railway workers: Victor Condurache, leader of the Iasi Regional Freight Trade Union [SMC]; Stefan Siromaschenko, leader of the Constanta Regional SMC; Peride Nicolae Cristian, spokesman of the Council of the Trade Union Federation; and Attorney Vasile Gheorghe Ratiu,

president of the Free Trade Union of Romanian Attorneys and deputy representative of the Railway Workers Trade Union. The meeting was convened at the initiative of the two embassies. A press conference took place after the talks were once again shunned by reporters from the "other side" of the press (not the "certain" press).

"These people were treated illegally," said Att. Vasile Gh. Ratiu. "It was the way in which the trial was adjudicated that prompted me to lodge a direct appeal with Mr. Teofil Pop (minister of justice—ed. note). The appeal is now voided because the decision is void. The appeal was filed on the basis of Article 317 of the Penal Code. It is illegal to cut the duration of a trial that legally should take seven days to 24 hours. A miracle occurred on 11 February: Parliament voted the labor dispute bill in the afternoon, President Iliescu promulgated it the same day, and the very same day it was published in MONITORUL OFICIAL. Why the hurry? Because the law comes into effect on the day of publication. However, the contents were not learned because of the limited issue of the publication and because it reached officials' desks at a late hour. But, every legal principle—from Patagonia to Romania—says that no one may be sentenced unless he is aware of what constitutes legally punishable grounds. The bill was first published in ADEVARUL on 13 February 1991. So it is to be assumed that its contents were learned only on 14 February 1991, because only full days are taken into account for legal purposes; in other words, the day on which a procedure begins and the day it ends are not counted. If ADEVARUL appeared in the morning of the 13th it could only have arrived at the Iasi Regional SMC in the afternoon of the 13th, and the court action could, in the best of cases, be introduced on 14 February. The appeal, however, was filed on 13 February in the morning. Everything I am telling you is in the file. The appeal was received on the 13th and on the same day the trial term was cut to 24 hours. So all the procedures were to be completed on 14 February and the trial on the 15th. It is mandatory to apprise the defendant about the trial—there are specific provisions for that: The summons are conveyed only by mail or by a court agent; the summons is done in writing and its receipt must be confirmed. In this case, the summons was sent by telex, not to the address of the trade union or the offices of the strike committee, but to the address of the Regional SMC. The strike committee had its headquarters in a CET [Termoelectric Powr Plant] tower. One of the technical directors of the Regional SMC took the summons to the office where the trade union leader was known to be working at 2115. He was, of course, not there. Director Stefan Deciu and two functionaries signed a report saying that they brought the summons but the trade unionists refused to accept it. The procedure was not legally completed. The trial began on 15 February at 1400; in attendance were only the delegates that filed the suit before the public learned about the law. The trial was heard in five minutes (with all the regular proceedings). While the jury was allegedly deliberating,

the defendants showed up; they were late for of objective reasons. In that situation, Judge Zlatescu stated that the procedure was completed because both sides were present.

We do not have enough space to list the defense attorney's legal and logical arguments. It is absolutely clear that Romania's Supreme Court of Justice adjudicated a sham trial with the object of forcing into silence people who were demanding their rights (we will come back to these rights). The executive power does not shy away from availing itself of a legislative power that has been thoroughly corrupt for years, and from bringing out profoundly antidemocratic laws.

I want to add that in order to implement the labor dispute law between the CFR [Romanian Railways] administration and the workers, a collective labor contract would have had to exist. Which was not the case. Concerning the damages that the strikers are expected to pay, I want to specify that they could exist only if there had existed contracts between the CFR and third parties. The only document that can serve as a contract is the letter of dispatch drafted when goods are presented for transport.

Att. Vasile Gh. Ratiu added that if the appeal is rejected he will appeal to an international moral instance. The world should see and know who was right. Never mind how utterly ridiculous we will be made to look!

#### ALFA Union Press Conference Summarized

91BA0462A Bucharest ROMANIA LIBERA  
in Romanian 1 Mar 91 p 2

[Article by Dan Vardie: "ALFA' Press Conference"]

[Text] The press conference of the ALFA cartel held at the end of last week added the finishing touches to the disastrous picture of our situation as guinea pigs for which even the united trade unions cannot do much. Arguments were cited about the government's attitude on cooperation aimed at promoting bills concerning employees' activities. Essentially it was said that the new legislation still features a lot of the elements of the old one. It is more a matter of new names for old contents. The bills dealing with salaries, collective labor contracts, unemployment, and collective labor disputes were examined.

The cartel noted that ideas, institutions, and definitions that contradict and void the principle of economic decentralization continued to be maintained by the fact that the state reserves the right to regulate employees' rights down to the smallest detail, something that is inconceivable in a market economy. The salaries bill empowers the government to levy additional taxes for the purpose of discouraging pay raises, whereby an exceptional measure becomes a general rule. Under the unemployment bill, the level of unemployment relief is set below the poverty line. State allowances for children and free health care are granted only for the duration of

unemployment relief (maximum 180 days), after which they cease. This is a skillfully devised legislation that bans strikes for 70 percent of specific trade union issues. Article 4 of the bill on collective labor disputes, in its entirety, is designed to restrict the right to strike to the point of complete annihilation, something which violates international regulations to which Romania is a party. Having the law dictate the manner in which strikes are to be declared, constitutes an interference in the free organization of the trade unions. Article 24, although it was taken out by an agreement with government representatives, was nevertheless submitted to Parliament (!). The wording of Article 24 allows for the interpretation that a strike may be declared only if the nature and volume of the demands are lower than the possible damages that the strike may produce. Article 26 outlaws strikes for the entire duration of a collective labor contract, even if the conditions in which the contract was signed may be substantially modified while the contract is in force. Article 28, in fact, legitimizes the existence of scabs and eliminates the right to occupy the work premises during a strike. Countless conditions and obligations are imposed (Article 35) on strike organizers but not on the managements. After 30 days of strike, an arbitration is initiated for which the strike organizers must pay regardless of its outcome. The above-mentioned draft bill seems to have been drafted in favor of either dubious owners or a totalitarian state, both categories being interested in exploiting mercilessly and without too much trouble masses of powerless employees reduced to silence. Without even exhausting the list of remarks of the national cartel, we observe a tendency to curtail freedom of negotiation between various social partners, the freedom of association, and measures of trade union protection. The cartel has sufficient evidence for the fact that the government does not respect either its own decisions or its discussion partners. The prime minister stated that the mixed commission will serve to negotiate draft bills and that if divergencies arise they will be jointly submitted to Parliament. The reality, however, demonstrates that the government submitted

its own draft bill without taking the trade unions' contributions much into account. This was also the substance of the ultimatum signed by all the trade union centrals (with the exception of Fratia) and submitted to the government, in which the release of spokesman Bogdan Baltazar was requested. If that does not happen, the ALFA cartel will conclude that the government is in agreement with what Mr. Baltazar said about the trade unions and will reserve the right to stop cooperating with the government.

A number of other alarming aspects of the prevailing economic reality were highlighted at the press conference. The cartel expressed the view that 70 percent of the legislation was not made public, so that even the leaders of trade union confederations have a hard time finding out about it. The current draft bills are of a conjunctural nature, but their validity is limited in time. This viewpoint was shared (or so we understood) by Minister Adrian Severin. The lack of openness that prevails affects even the relations between ministries and their own departments. It was pointed out that the authorities intended to discredit the railway workers's strike in the eyes of the nation through a distorted presentation of its social implications (examples of so-called catastrophic consequences were cited, but these were shown to have no connection with the railway workers' strike). On the other hand, Mr. Liviu Luca, the envoy of the Iasi branch of the cartel, reported attempts to cover up the real problems with the help of thugs, who were fortunately stopped at the entrance to the Regional [branch]. From the many remarks made, we noted two very significant ones. "They are trying to achieve an economic reform aimed at a market economy, based on socialist ownership and with a socialist banking system—I am curious what will come out of that—seeing as how we are by nature so original. And the only thing that Mr. Solojan can do is shrug his shoulders." (Liviu Luca) "We wonder what the government has to say about privatization, since it is... keeping quiet! We wonder what has changed for the better for the economic units, because what has changed for the worse we know too well." (Mihai Stoia)

**CZECHOSLOVAKIA****Birth Rate Increases, Abortion Growth Rate Falls**

*AU3003161091 Prague HOSPODARSKE NOVINY  
in Czech 26 Mar 91 p 1*

[Report signed "hn": "Demographic Development"]

[Text] Last year and, more specifically, its second half saw a reversal, though only an insignificant one, in the

number of live births. Since the late seventies, their number has been systematically falling. Last year, for the first time since the late seventies, the number of live births—211,000—exceeded the number of the preceding year (209,000). The growth in number of abortions, too, slowed down last year, to 182,000, after a sharp rise in the mid-eighties. Nonetheless, the cities of Prague and Bratislava as well as North Bohemia hold a sad primacy—the number of abortions there exceeds the number of births. (On the statewide average, there were 0.86 abortions for every live birth.)

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